

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,) Case No. 5:21-cr-259
)
Plaintiff,)
) Cleveland, Ohio
vs.) Tuesday, January 16, 2024
) 1:27 p.m., Courtroom 15A
RONALD DiPIETRO,)
CHRISTOS KARASARIDES, JR.,)
and CHRISTOPHER KARASARIDES,) TRIAL BY JURY
)
Defendants.)
Volume 1, Pages 1 - 118

REPORTER'S TRANSCRIPT OF PROCEEDINGS

BEFORE THE HONORABLE DONALD C. NUGENT,
SENIOR UNITED STATES DISTRICT JUDGE

APPEARANCES:

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(Appearances continued on Page 2)

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Proceedings reported by machine shorthand; transcript
produced by computer-aided transcription.

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Opening by Plaintiff (Howell)

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1 CLEVELAND, OHIO; TUESDAY, JANUARY 16, 2024; 1:27 P.M.

2 --oOo--

3 P R O C E E D I N G S

01:27:48 4 (Jury returned to courtroom at 1:27 p.m.)

01:27:48 5 COURTROOM DEPUTY: All rise for the jury.

01:28:21 6 Court is in session. Please be seated.

01:28:23 7 THE COURT: Good afternoon, ladies and
01:28:25 8 gentlemen.

01:28:25 9 THE JURY: Good afternoon.

01:28:27 10 THE COURT: I woke you up.

01:28:28 11 Next order of business, as I mentioned, will be
01:28:31 12 opening statements of the lawyers. That means each side has
01:28:34 13 a chance to stand before you and give you like a summary or
01:28:38 14 an outline of what they expect the evidence to show.

01:28:43 15 Don't substitute what a lawyer says for the actual
01:28:46 16 evidence. What lawyers say isn't evidence at all. It just
01:28:49 17 is an effort to assist you in understanding and kind of get
01:28:52 18 an idea of what you might expect during the course of the
01:28:54 19 trial.

01:28:55 20 And again, because the government has the burden of
01:28:56 21 proof, they go first. So, Aaron.

22 - - - - -

01:29:00 23 OPENING STATEMENT BY THE PLAINTIFF

01:29:00 24 MR. HOWELL: Thank you, Judge.

01:29:01 25 May it please the Court, counsel, members of the jury:

01:29:19 1 Christos Karasarides and Ron DiPietro owned and
01:29:27 2 operated an illegal gambling business down in Canton, Ohio,
01:29:31 3 named the Skilled Shamrock.

01:29:32 4 From 2012 through 2017, that illegal gambling business
01:29:36 5 involving slot machines brought in over \$34 million in cash.

01:29:44 6 You will hear evidence, see exhibits, and you will see
01:29:48 7 that Christos Karasarides and Ron DiPietro took a series of
01:29:54 8 steps to conceal their ownership of that illegal business
01:29:58 9 and to hide the lucrative profits that they made from that
01:30:03 10 business.

01:30:04 11 You will also learn that during the time that
01:30:08 12 Mr. Karasarides is operating this illegal gambling business,
01:30:11 13 among other illegal gambling businesses that he was running,
01:30:15 14 at that time he owned the IRS a couple million dollars in
01:30:20 15 tax debt, unrelated tax debt.

01:30:25 16 And you will see and you will hear from witnesses,
01:30:29 17 series of witnesses, and you will learn that Christos's son
01:30:36 18 Christopher, co-defendant Ron DiPietro, and several other
01:30:41 19 individuals, some of them professionals, conspired with
01:30:45 20 Christos Karasarides to engage in a pattern of acts to
01:30:51 21 conceal the income and the assets that Christos Karasarides
01:30:56 22 had in an effort to help him evade paying that debt.

01:31:02 23 Those acts include Ron DiPietro, who is also, in
01:31:08 24 addition to running illegal gambling businesses, is a
01:31:11 25 certified public accountant, CPA. And you will learn that

01:31:17 1 Ron DiPietro made several false statements to the IRS on
01:31:19 2 behalf of Christos Karasarides, his business partner, about
01:31:24 3 him not having any income, no money to be able to pay this
01:31:28 4 debt.

01:31:28 5 You will learn that Christopher Karasarides engaged in
01:31:33 6 several business transactions, presented false promissory
01:31:37 7 notes, put businesses in his name, did transactions with his
01:31:41 8 father's money in his name to conceal the money that his
01:31:44 9 father had so he wouldn't have to pay that debt.

01:31:48 10 You're going to learn that in July of 2018, a couple
01:31:53 11 of hundred federal agents from around the United States all
01:31:58 12 came to this area, met down in Independence, a little bit
01:32:03 13 south of here. And the following day, on July 11st of 2018,
01:32:08 14 they executed a series of over 30 search warrants at
01:32:12 15 different locations, simultaneously.

01:32:15 16 You're going to get to see and hear evidence that they
01:32:17 17 recovered from those search warrants, search warrants at
01:32:22 18 Christopher and Christos Karasarides' home down in Canton,
01:32:29 19 Ohio. You'll see photographs from that house, you'll see
01:32:32 20 documents.

01:32:33 21 Ron DiPietro's residence, his accounting business,
01:32:41 22 several of the illegal gambling businesses were searched,
01:32:43 23 items were seized.

01:32:44 24 You're going to hear from a number of individuals who
01:32:46 25 were involved and were co-owners of these illegal businesses

Opening by Plaintiff (Howell)

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01:32:49 1 with Christos and Ron DiPietro.

01:32:51 2 You'll hear from some individuals who were
01:32:54 3 co-defendants, co-conspirators, who pled guilty and agreed
01:32:59 4 to come in here and tell you about what they did and what
01:33:02 5 they know about what these others did.

01:33:04 6 And at the end of this case, after you do hear all
01:33:06 7 that evidence, we're going to ask you to hold the defendants
01:33:10 8 responsible and find them guilty of every count in the
01:33:12 9 indictment.

01:33:15 10 But to truly understand how we got here, we have to go
01:33:18 11 back to 2009. In 2009 is when Christos Karasarides and Ron
01:33:27 12 DiPietro conspired, agreed, got together and started to run
01:33:30 13 the illegal gambling business named Skilled Shamrock.

01:33:35 14 Now, I mentioned illegal gambling business a few
01:33:38 15 times. I mentioned slot machines. And many of you probably
01:33:41 16 know what a slot machine is. You've been to a casino. You
01:33:43 17 pull the handle down, the wheels spin, and if the things
01:33:46 18 match up, you may win money.

01:33:50 19 Well, Skilled Shamrock had several machines like that,
01:33:55 20 computer screens, touch screens that you could select
01:33:57 21 different games on, games like Keno, poker, or the spin and
01:34:04 22 win. The same type of thing where you pull the slot on a
01:34:07 23 slot machine, you press the button, it spins. If you line
01:34:11 24 them up, you get a ticket and let the cashier know. They
01:34:16 25 come over and they pay you cash for your winnings.

01:34:20 1 And much like a slot machine, these machines also had
01:34:23 2 a bill collector. The customer put their cash in, and if
01:34:27 3 they won, they get a ticket and they get paid out in cash.

01:34:31 4 You will also learn that just like slot machines,
01:34:37 5 these machines were able to be set to determine the odds,
01:34:42 6 the winning percentages. They could be set by the owners,
01:34:45 7 people that have access to the keys, to determine how much
01:34:48 8 people were going to be able to win, all in violation of
01:34:51 9 Ohio and federal law.

01:34:53 10 You will hear from one of the co-owners of that
01:34:57 11 business that Christos Karasarides and Ron DiPietro,
01:35:01 12 eventually they brought in an individual name Jason Kachner.
01:35:04 13 You will hear from him. He was indicted in this case, pled
01:35:08 14 guilty to operating that and tax violations. He agreed to
01:35:11 15 come in here and testify.

01:35:12 16 You're going to learn, he'll tell you about how this
01:35:17 17 business was run, tell you exactly how I just explained how
01:35:22 18 those machines worked.

01:35:24 19 He'll also tell you about that there were weekly
01:35:27 20 audits. At the end of each week, Mr. DiPietro would often
01:35:31 21 send a representative, sometimes it was his son, Tristan
01:35:34 22 DiPietro, other times it was one of his employees, Michael
01:35:37 23 Moneyppenny, a woman named Trina, to show up at these weekly
01:35:41 24 audits at the end of week. Mr. Kachner would be there.

01:35:54 25 Mr. Kachner would show up. They'd go through the

01:35:59 1 weekly audits. They'd go through and they'd see how much
01:36:01 2 cash came into every one of the machines in this building,
01:36:04 3 how much cash went out, how much expenses they had and what
01:36:07 4 the profits were.

01:36:10 5 And during that time frame, Mr. DiPietro and his
01:36:15 6 representative would keep track of all that on a
01:36:22 7 spreadsheet, would have the money coming in for every
01:36:23 8 machine that was in there, money going out. And then there
01:36:27 9 was categories for the profits to be spread amongst Christos
01:36:33 10 Karasarides, Jason Kachner, and Ron DiPietro.

01:36:39 11 Jason Kachner will tell you that he provided those
01:36:42 12 proceeds and the share of that to Christos Karasarides.

01:36:49 13 I mentioned before that they took a series of steps to
01:36:53 14 conceal their ownership. They used nominee owners. What I
01:36:58 15 mean by that is as opposed to putting their name to this
01:37:02 16 business, they would get an individual, typically someone
01:37:04 17 that had worked at the store before, maybe only made \$10 and
01:37:08 18 hour, and say, hey, want to make more money. They'd -- they
01:37:13 19 would pay that individual a fee for them to agree to put
01:37:16 20 their name tied to that illegal business.

01:37:21 21 If there was a lease with the building, example of
01:37:23 22 Skilled Shamrock, you'll hear from Derek Phillips who will
01:37:26 23 come in here and testify that he was approached by them and
01:37:29 24 asked to do that, put the lease for the building in his
01:37:33 25 name. Went and got a zoning permit from the township in his

01:37:40 1 name.

01:37:40 2 Why would they do that?

01:37:43 3 Because they want to distance themselves from the
01:37:46 4 illegal business. That's what Derek Phillips will tell you,
01:37:49 5 that he was paid a weekly fee for doing that.

01:37:52 6 As I mentioned, Christos Karasarides also was running
01:37:56 7 other illegal gambling businesses. One of those other
01:37:59 8 illegal gambling businesses was just down the road from the
01:38:04 9 Skilled Shamrock. It was called Redemption.

01:38:08 10 Mr. Karasarides was a co-owner with Jason Kachner as
01:38:14 11 well. And he will tell you how lucrative that business was.
01:38:18 12 It was even bigger than Skilled Shamrock. More machines.

01:38:20 13 There was another co-owner, Larry Dayton. Jason
01:38:23 14 Kachner will talk about how they did the weekly audits there
01:38:26 15 as well.

01:38:27 16 You'll hear from Ronnie Hull. Ronnie Hull was Jason
01:38:32 17 Kachner's right-hand man. He was his manager, so he would
01:38:36 18 do the weekly audits as well. They would divvy up the cash.

01:38:40 19 You'll hear from Christos Karasarides' nephew, Thomas
01:38:47 20 Helmick. Christos Karasarides convinced his nephew, Thomas
01:38:52 21 Helmick, to be the nominee owner of Redemption. Put the
01:38:56 22 business in his name, the utilities. Told him, it's the
01:39:02 23 easiest job you'll ever have, easy money. That he was paid
01:39:08 24 a fee for doing that.

01:39:09 25 The only thing he really had to do, go buy supplies

01:39:11 1 every once in a while. Not only buy supplies for
01:39:15 2 Redemption, but while you're at it, go get supplies for my
01:39:19 3 other business down the street, Skilled Shamrock, and go
01:39:22 4 provide those over there.

01:39:23 5 Thomas Helmick was indicted and pled guilty in this
01:39:25 6 case. He will testify -- he will talk to you about his plea
01:39:29 7 agreement. He'll come in here and tell you about his
01:39:31 8 involvement in Redemption and what Christos Karasarides
01:39:35 9 asked him to do to conceal Christos's ownership.

01:39:41 10 I mentioned July 11th of 2018 that there was a series
01:39:57 11 of search warrants executed. Thomas Helmick will tell you
01:40:00 12 that he was a -- was woken up that day by federal agents
01:40:04 13 knocking on his door, executed a search warrant at his
01:40:07 14 residence, seized a large amount of cash from his house. As
01:40:13 15 part of his plea agreement, he agreed to forfeit that.

01:40:15 16 You're going to hear recorded telephone calls in which
01:40:22 17 Thomas Helmick, Christopher Karasarides, and Christos
01:40:26 18 Karasarides talk about those search warrants and what was
01:40:29 19 happening.

01:40:36 20 You'll hear recorded calls between Christos
01:40:41 21 Karasarides and his nephew, Thomas Helmick, discussing that
01:40:45 22 he thought that we could get 20 or \$30,000 for the machines
01:40:49 23 that were in Redemption after it was shut down by federal
01:40:52 24 agents on July 11th, 2018.

01:41:01 25 You'll hear recorded calls between Christos

01:41:05 1 Karasarides and Christopher Karasarides. You'll hear
01:41:10 2 Christopher Karasarides talking to his father saying, hey,
01:41:14 3 federal agents seized some keys from my wallet and I'm
01:41:19 4 worried about it. Immediately, Christos Karasarides knew
01:41:24 5 exactly what his son was talking about. What he was talking
01:41:27 6 about is a safe deposit box that Christopher put in his name
01:41:32 7 to conceal \$239,000 in cash of Christos's money.

01:41:39 8 You'll hear Christos tell his son, get busy. Get down
01:41:42 9 there and try to get another key. Not knowing that the
01:41:46 10 agents were already down there. Christopher expressing
01:41:50 11 concern, that safe deposit box is in his name.

01:41:56 12 You'll hear from Thomas Helmick who is familiar with
01:41:59 13 his cousin Christopher. No way he's making that type of
01:42:04 14 money.

01:42:05 15 You'll hear later phone calls between Christos
01:42:08 16 Karasarides and Christopher giving him instructions, telling
01:42:11 17 him, well, I gave you that money, that's my money, don't you
01:42:15 18 worry about it.

01:42:22 19 You'll hear that there was \$152,000 in cash seized
01:42:28 20 from Christos and Christopher's residence in Canton, Ohio,
01:42:32 21 on July 11th, 2018.

01:42:39 22 You'll hear that Christopher, in addition to getting
01:42:42 23 that safe deposit box, concealing that cash, also engaged in
01:42:47 24 real estate transactions on behalf of his father but did
01:42:50 25 them in his name. You'll hear that he went and bought a

01:42:54 1 commercial property, an old restaurant.

01:42:57 2 You'll hear from the individual that sold that
01:43:00 3 restaurant, Mike Kazes. Mike Kazes will tell you that even
01:43:08 4 though Christopher's name is on the check, all of his
01:43:11 5 dealings were with Christos, and that Christos came to him
01:43:17 6 with the money but said, hey, let's make this deal for -- on
01:43:21 7 paper look like \$280,000. Here's \$30,000 cash on top of
01:43:26 8 that so it will 310, but let's mark it down as 280.

01:43:31 9 You're going to hear from individuals that also helped
01:43:36 10 Christos Karasarides remain out of that transaction at least
01:43:41 11 on paper. You're going to hear from individuals that
01:43:45 12 Christos Karasarides approached, one of which he was aware
01:43:50 13 had recently won the lottery. Another individual, it was
01:43:56 14 like a relative that he knew had money. Approached them and
01:44:00 15 said, hey, Roger Steed, give me \$70,000, write me out a
01:44:08 16 check as an investment in this restaurant that I'm going to
01:44:11 17 buy over here. Put it down as it's an investment, it's a
01:44:15 18 loan. If anybody ever asks you about it, tell them you've
01:44:18 19 never been paid on it. And turns around and pays him that
01:44:23 20 \$70,000 in cash back, nothing showing that transaction, keep
01:44:28 21 himself out of it.

01:44:30 22 You'll hear from Michelle Kenst. She issued a check,
01:44:38 23 Christos Karasarides. Her significant other at that time
01:44:40 24 was Harold Young. It's a friend of Christos Karasarides.
01:44:43 25 Mr. Young has since pass away. They provided a check for

01:44:47 1 \$50,000. And you'll learn that they got that back in cash.

01:44:53 2 You'll learn that they were given instructions. Roger
01:44:57 3 Steed, when agents come talking to him about this
01:45:00 4 transaction, pleads ignorance: No, I haven't got my money
01:45:07 5 back, I'm really upset about it too. Lied to us. Later
01:45:12 6 comes in and tells us: Christos told me just to stay strong
01:45:18 7 and they'll have nothing. The only people that know about
01:45:21 8 this transaction are you and I. If you stay strong, they'll
01:45:22 9 never know.

01:45:22 10 As you hear the evidence in this case, as I mentioned,
01:45:25 11 there's going to be other people coming in and telling you
01:45:28 12 similar things that Christos asked them to do. See a
01:45:31 13 similar pattern.

01:45:36 14 As I mentioned, Roger Steed lied to federal agents,
01:45:49 15 federal authorities, about what was going on in that
01:45:51 16 transaction. They were all well aware that the feds were
01:45:55 17 looking at this.

01:45:59 18 As I mentioned, on paper, looks like Christopher
01:46:03 19 Karasarides is the owner of that business. So once they
01:46:07 20 realized the feds are coming around, what does Christopher
01:46:09 21 do? They come up with a promissory note. Christopher goes
01:46:13 22 and delivers it, giving the terms of this deal when these
01:46:21 23 folks have already been paid back their cash. Fake
01:46:24 24 promissory notes from Christopher.

01:46:27 25 You'll hear that Christos Karasarides was involved in

01:46:38 1 other business ventures. He decided to put Christopher as
01:46:45 2 being the person involved in those.

01:46:48 3 And you'll learn that Christopher was well aware of
01:46:50 4 his father's tax debt because you're also going to hear that
01:46:56 5 as part of an attempt to settle that tax debt, Christopher
01:47:00 6 sent a check to the IRS. So he's well aware what's going on
01:47:04 7 when he's taking all these actions.

01:47:07 8 You're also going to hear from an individual, friend
01:47:11 9 of Christopher's, who approached Christopher at one point
01:47:15 10 and said, I know what the business you're dad's in, can you
01:47:18 11 get me a job, and Christopher obliged.

01:47:28 12 You're going to hear that after all this
01:47:31 13 investigation's going on, Christopher, along with his
01:47:35 14 father, then go in and file amended tax returns claiming
01:47:40 15 interest in this business, knowing full well that it's his
01:47:44 16 father. Another attempt to conceal the assets and income of
01:47:49 17 Christos Karasarides.

01:47:50 18 You will hear from Christopher's tax preparer, will
01:47:53 19 testify in this case.

01:47:56 20 You're going to hear from Tony Bragg. Tony Bragg was
01:48:03 21 operating an illegal gambling business right around the same
01:48:09 22 area with Christos Karasarides called Plaza 777. Same type
01:48:15 23 of business as Redemption and Skilled Shamrock. Tony Bragg
01:48:17 24 is the cousin of Christos Karasarides' wife, Melissa Bragg.

01:48:22 25 Tony Bragg will tell you about the investment, the

01:48:24 1 cash that both of them put into this business. Tell you
01:48:28 2 that they took one of their young relatives, put her as the
01:48:31 3 nominee owner of that one, much like they did with Thomas
01:48:34 4 Helmick of Redemption.

01:48:41 5 You'll also hear from Tony Bragg that he was
01:48:44 6 approached by Christos Karasarides and asked if he would
01:48:48 7 give him a \$50,000 check, check as an investment into this
01:48:54 8 job that Christos claimed that he had, a legitimate job;
01:48:58 9 that Tony Bragg did that, was paid back in cash.

01:49:04 10 And you're going to learn that that transaction and
01:49:08 11 the motivation for Christos to do that is to make it look
01:49:11 12 like he had a legitimate job. And it turns out, he's
01:49:13 13 actually funding the salary of his own job.

01:49:23 14 As I mentioned, Ron DiPietro is not just a co-owner
01:49:26 15 and an operator of an illegal gambling business. He's a
01:49:30 16 certified public accountant.

01:49:30 17 I mentioned Jason Kachner. Jason Kachner and his
01:49:34 18 wife, Rebecca Kachner, who was also indicted in this case,
01:49:38 19 Ron DiPietro was their tax preparer. Jason Kachner will
01:49:43 20 tell you that he's in business with Ron DiPietro in the
01:49:50 21 illegal gambling business, the Skilled Shamrock. Ron
01:49:53 22 DiPietro's well aware of that, obviously, the weekly audits.

01:50:01 23 That Ron DiPietro and Jason Kachner come up with, you
01:50:05 24 got to put something down. You got to claim some income
01:50:07 25 here. Why don't you say you're a handyman? Ron DiPietro

Opening by Defendant DiPietro (Fedor)

17

01:50:10 1 helped him prepare a tax return saying he's a handyman.

01:50:13 2 Nowhere will you hear a mention of Skilled Shamrock or

01:50:16 3 Redemption on his tax returns.

01:50:22 4 Ron DiPietro prepared Christos Karasarides's tax

01:50:27 5 returns on multiple occasions. No mention, Skilled

01:50:30 6 Shamrock, Redemption. False returns.

01:50:39 7 That's why I mentioned to you before, as you hear this

01:50:41 8 evidence, you may sit there and wonder why would a certified

01:50:44 9 public accountant do this? The business that they were

01:50:48 10 in -- this is just a further step to conceal that illegal

01:50:51 11 gambling business.

01:50:57 12 Members of the jury, throughout this case, the

01:51:01 13 evidence that we bring to you, you're going to get a glimpse

01:51:06 14 behind the curtain of the organized criminal operation that

01:51:09 15 Christos Karasarides, Ron DiPietro, and with the help of

01:51:11 16 others, including Christopher Karasarides, were running down

01:51:14 17 in Canton, Ohio. And at the end of this case, after you

01:51:18 18 hear all the evidence, I'm going to stand back up here and

01:51:21 19 I'm going to ask you to find them guilty.

01:51:24 20 Thank you.

01:51:26 21 THE COURT: Thank you.

01:51:27 22 Mr. Fedor.

23 - - - - -

01:51:36 24 OPENING STATEMENT BY DEFENDANT DIPIETRO

01:51:36 25 MR. FEDOR: Thank you very much, Judge.

01:51:38 1 And members of the jury, ladies and gentlemen, good
01:51:41 2 afternoon.

01:51:41 3 My name is Robert Fedor, and I represent Mr. Ronald
4 DiPietro.

01:51:46 5 If you could stand for a moment so they can see,
01:51:49 6 Mr. DiPietro. Thank you.

01:51:50 7 Mr. DiPietro has been a CPA since 1985. Never been in
01:51:53 8 trouble in the past. Prepared returns. Has a full-time
01:51:58 9 accounting firm. That's what he does.

01:52:01 10 And what you've just heard from the government is
01:52:04 11 essentially there's two issues here: Gambling and
01:52:07 12 tax-related issues.

01:52:08 13 The government would have you believe that
01:52:10 14 Mr. DiPietro was an owner of the Skilled Shamrock gaming
01:52:13 15 room, which he was not.

01:52:16 16 The government would have you believe that
01:52:18 17 Mr. DiPietro assisted Mr. Karasarides and lied to the IRS,
01:52:23 18 made false statements, submitted false documents, and that's
01:52:27 19 not accurate. And you will see evidence and you will hear
01:52:29 20 from witnesses that will explain that.

01:52:32 21 Really what happened, 2009 and 2010, Mr. DiPietro did
01:52:37 22 previously operate a gaming room, and he got out of the
01:52:41 23 business. You'll hear from witnesses that will talk about
01:52:45 24 him getting out of the business, Billy Pool, his partner,
01:52:49 25 and meeting with Jay Porter, an attorney from Akron, Ohio,

01:52:54 1 with the law firm of Vorys, Sater, Seymour and Pease.

01:52:58 2 Mr. Porter met with Mr. Pool, met with the defendant,
01:53:01 3 Mr. DiPietro, and set up a leasing business. He got out of
01:53:04 4 the business and thereafter leased gaming machines to
01:53:09 5 different gaming rooms for several years thereafter.

01:53:12 6 There are tax returns filed each and every year. All
01:53:16 7 of the income is reported each and every year on the
01:53:20 8 leasing -- on the leasing business tax returns.

01:53:24 9 There was something called UCC filings which were made
01:53:27 10 with the Secretary of State of Ohio which securitizes the
01:53:31 11 gamings. So if, in fact, something illegal was going on in
01:53:36 12 the gaming room, RNB Leasing, a company owned -- "R" is Ron
01:53:39 13 DiPietro, "B" is Billy Pool, they could take back these
01:53:42 14 machines if in fact there was wrongdoing going on.

01:53:44 15 So you're going to hear from witnesses that will
01:53:47 16 testify about that arrangement. You will see the different
01:53:49 17 drafts of the lease agreements, the different amendments to
01:53:52 18 the lease agreements and the different -- the different
01:53:57 19 pieces of substance which were included as part of that.

01:53:59 20 You'll also see that Attorney Jay Porter advised RNB
01:54:07 21 Leasing, Billy Pool, and Mr. DiPietro to conduct weekly
01:54:10 22 audits, and that is what the government's referencing,
01:54:13 23 weekly audits.

01:54:14 24 Mr. DiPietro is a CPA. He's good with numbers. He
01:54:17 25 conducted weekly audits. He filed accurate tax returns and

01:54:21 1 wanted to make sure that the business received the portion
01:54:24 2 of income it was entitled to from the machines. They were
01:54:33 3 RNB Leasing machines which were installed in the stores,
01:54:36 4 Mr. DiPietro, Mr. Pool had paid for. You will see how they
01:54:38 5 are depreciated on the tax returns and how the ownership was
01:54:41 6 taken.

01:54:41 7 And Mr. Porter will advise exactly what was required
01:54:44 8 to get -- put in place a lease agreement with the stores,
01:54:48 9 how to collect it, how to account for it.

01:54:51 10 And the one important thing that you didn't hear from
01:54:53 11 the government in its opening was, Mr. DiPietro has not
01:54:57 12 been -- it's not been alleged that he underreported his
01:55:00 13 income. He's not charged with that. Mr. DiPietro, RNB
01:55:04 14 Leasing, has reported all of its income on all of its tax
01:55:07 15 returns. That is not part of this case, and those are not
01:55:10 16 part of the charges.

01:55:11 17 It is only the allegation that Mr. DiPietro assisted
01:55:17 18 Mr. Karasarides in not paying the IRS. It's called evasion
01:55:21 19 of payment. And so, there's allegations made by the
01:55:25 20 government in the indictment that Mr. DiPietro made a
01:55:28 21 statement on this certain date in 2013, Mr. DiPietro made
01:55:32 22 another statement, submitted a false document to the IRS.
01:55:35 23 That is assisting -- that is the allegation, that
01:55:39 24 Mr. DiPietro was assisting Mr. Karasarides avoiding his
01:55:43 25 taxes.

01:55:43 1 What happened was, actually, Mr. DiPietro, you will
01:55:46 2 see from the evidence, you will hear from IRS revenue
01:55:50 3 officer David Ross, and you will see his history of
01:55:54 4 communications with the IRS, with Mr. DiPietro, and with
01:55:58 5 Mr. Karasarides, about Mr. DiPietro did everything in his
01:56:02 6 power to cooperate with the IRS, told the IRS exactly where
01:56:04 7 the assets were that they could go retrieve and pay down the
01:56:09 8 IRS liabilities. And when Mr. DiPietro was no longer able
01:56:13 9 to resolve the liabilities, he referred it out to an
01:56:16 10 attorney to resolve the liabilities.

01:56:17 11 You will hear from Attorney Matt Yackshaw, who is with
01:56:26 12 the law firm of Day Ketterer in Akron, Ohio, who submitted a
01:56:29 13 deal to the IRS. It's called an offer in compromise. And
01:56:33 14 Mr. Yackshaw submitted a deal for \$72,000 to resolve all of
01:56:37 15 Mr. Karasarides' tax problems. And the problem was it
01:56:40 16 wasn't complete.

01:56:40 17 But you don't see Mr. Yackshaw sitting at this table
01:56:46 18 today. He's not charged. You will see the documents that
01:56:49 19 Mr. Yackshaw provided. You will see the testimony that
01:56:51 20 Mr. Yackshaw provided, and he will testify. And he made
01:56:54 21 matters worse for Mr. Karasarides in all actuality.

01:56:56 22 And so Mr. Karasarides had liabilities. Mr. DiPietro
01:56:59 23 tried to resolve those liabilities, worked proactively with
01:57:02 24 the IRS, provided all the documents that the IRS ever wanted
01:57:05 25 to see, everything in his file to the IRS, and he worked all

01:57:09 1 along with them the entire time.

01:57:10 2 So we have that issue, and then we have the
01:57:13 3 preparation issue.

01:57:14 4 So Mr. DiPietro, as a CPA, is accused of false
01:57:18 5 preparation of tax returns. One of the things that's not
01:57:20 6 even mentioned was he didn't even prepare a return for
01:57:24 7 Kachner for one or more of those tax years. It was someone
01:57:28 8 else in his office.

01:57:29 9 You will hear from Leah Stark who prepared that tax
01:57:32 10 return, who will testify she was the one that prepared the
01:57:34 11 return. And you will see different evidence submitted.

01:57:38 12 And I don't know how many of the members of the jury
01:57:41 13 here have worked with CPA firms versus small tax preparation
01:57:46 14 firms. This is the type of accounting firm where the client
01:57:48 15 comes in January, February, March. They have their W-2s,
01:57:52 16 they have they're 1099s, they have their tax documentation.
01:57:56 17 Mr. DiPietro and/or others in the office would prepare the
01:57:58 18 returns, face to face, complete it in 20 minutes,
01:58:03 19 30 minutes, and then go about their way.

01:58:06 20 Mr. DiPietro and his accounting firm, Ron &
01:58:10 21 Associates, which is what the name of it is, were not
01:58:12 22 auditing these people, were not asking for detailed
01:58:15 23 documentation because you don't have to as a tax preparer in
01:58:18 24 this country. You prepare the returns based upon what the
01:58:20 25 documents are and what the client gives you.

01:58:23 1 And that -- you will hear from government witnesses
01:58:26 2 that will talk about that. There's an IRS policy called
01:58:30 3 Circular 230 which governs tax preparation requirements and
01:58:34 4 what you should look at and what your ethical duties are for
01:58:38 5 that.

01:58:38 6 And Mr. DiPietro has performed remarkably in that, and
01:58:42 7 he still does that today. He has a successful accounting
01:58:45 8 practice. And I'll say it again. He's a full-time
01:58:49 9 accountant.

01:58:49 10 He spent approximately 4 hours a week on this side of
01:58:52 11 the business, which was the leasing of the machines. And
01:58:55 12 every nickel received from the leasing of those machines has
01:58:58 13 been picked up and reported as income. It's got to be kept
01:59:04 14 in mind. He's not charged with that. He's charged with
01:59:06 15 preparation of false returns. He's charged with evasion of
01:59:10 16 payment.

01:59:10 17 So the government is accusing Mr. DiPietro of
01:59:12 18 assisting Mr. Karasarides in not paying the IRS, and nothing
01:59:17 19 could be further from the truth.

01:59:19 20 And you'll see evidence, you will hear from the
01:59:21 21 witnesses, and government witnesses as well as our own
01:59:24 22 witnesses, that will testify about that entire transaction,
01:59:27 23 that he was not involved with gambling, that he was involved
01:59:30 24 with the leasing of machines effective 2009, 2010, to date.

01:59:35 25 And for those reasons, the jury should acquit

01:59:38 1 Mr. DiPietro. And I have nothing further.

01:59:41 2 Thank you.

01:59:42 3 THE COURT: Thank you.

01:59:43 4 Mr. Goldberg.

01:59:44 5 MR. GOLDBERG: Thank you, Your Honor. May I
01:59:46 6 address the jury?

01:59:47 7 THE COURT: Sure. As long as. . .

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01:59:53 9 OPENING STATEMENT BY DEFENDANT CHRISTOS KARASARIDES

01:59:53 10 MR. GOLDBERG: Good afternoon, ladies and
01:59:55 11 gentlemen. I'm Michael Goldberg. I represent Christos
01:59:58 12 Karasarides in this matter, and I am very thankful that you
02:00:02 13 all are here and grateful that you have agreed to take at
02:00:06 14 least a week out of your lives to decide this case.

02:00:10 15 And as the judge already -- as Judge Nugent already
02:00:12 16 said, we can't do this work without you folks. And I think
02:00:17 17 we're an example to the world on the fairest way to decide
02:00:20 18 something like this that could have life-long implications.

02:00:23 19 We bring people in based on your voting registration
02:00:26 20 or driver's license, and you're going to decide. It just
02:00:31 21 couldn't be fairer than that.

02:00:32 22 So, I'm honored to be involved in this case and do my
02:00:37 23 part to bring to light some of the facts, a lot of the facts
02:00:42 24 that you should know in deciding the case.

02:00:44 25 Now, you heard from the government, and Mr. Howell

02:00:46 1 took us through what the government thinks they're going to
02:00:49 2 show in the course of this case. But I am stating to you
02:00:53 3 here today, right now, that practically everything they
02:00:59 4 have, everything they're going to put forth as solid
02:01:02 5 evidence that Mr. Karasarides is involved in these crimes,
02:01:05 6 there's an explanation for. There is an explanation for,
02:01:08 7 and there's also an explanation for the evidence and an
02:01:11 8 explanation for the government' point of view.

02:01:13 9 They've been working on this case for six years,
02:01:17 10 really more like 10, and they have decided that Christos
02:01:21 11 Karasarides is Public Enemy Number 1 in Stark County, for
02:01:27 12 various reasons.

02:01:29 13 The number one reason is that he is a habitual
02:01:34 14 gambler. He gambles. He is addicted to gambling. He was
02:01:38 15 addicted to gambling in 2012, and he was addicted to
02:01:41 16 gambling in 2018 when these searches were conducted.

02:01:47 17 And I'm going to tell you folks that there will be
02:01:49 18 proof that Mr. Karasarides, Christos, earned vast amounts of
02:01:57 19 cash from legal gambling and casinos all over the country.

02:02:02 20 Now, you're going to find out during the course of
02:02:05 21 this case that Mr. Karasarides Sr. went to prison in 2014.
02:02:13 22 He literally, weeks before he went away, he hit at a casino
02:02:18 23 for \$880,000. That's cash. Cash money.

02:02:23 24 So when the government says, well, we found 200,000
02:02:26 25 here and we found 100,000 or 300,000 or whatever it was they

02:02:33 1 say they found, there is an explanation.

02:02:34 2 He went to prison, got out, was told condition of
02:02:36 3 getting out of prison, being on post-release supervision, no
02:02:39 4 gambling for you. What does he do? Because he's an addict,
02:02:43 5 he goes and gambles. Makes more money.

02:02:46 6 This is what aggravates the government, the fact that
02:02:49 7 he's out there month after month while he's on supervised
02:02:55 8 release gambling against the rules, and winning, for the
02:03:01 9 most part.

02:03:02 10 This is all funds that can be shown to you. This is
02:03:04 11 not some -- he didn't have a lemonade stand where he
02:03:12 12 collected cash off the street. We have got receipts, we've
02:03:17 13 got 1099s, winning and loss statements from a number of
02:03:21 14 casinos that will show there's a substantial source of
02:03:24 15 income.

02:03:24 16 So when the government stands up here and says, oh, he
02:03:27 17 couldn't have had all this money if it wasn't for running
02:03:29 18 these game rooms -- and I'm going to come back to the game
02:03:32 19 rooms -- that's just not true. You're going to see sources
02:03:35 20 of all this money.

02:03:35 21 So, the logical path that the government wants you to
02:03:39 22 take is Christos had money, therefore, he's guilty of
02:03:45 23 engaging in these game rooms and these illegal gambling
02:03:48 24 businesses. Not true. You're going to see that that's not
02:03:51 25 the case.

02:03:53 1 Now, these illegal gambling businesses that have been
02:03:56 2 referred to as Shamrock and Redemption, these were
02:04:01 3 businesses that originally, at least one of them was a
02:04:05 4 business that originally was an internet cafe, which was
02:04:16 5 legal. It was a roundabout way of allowing people to come
02:04:16 6 in, have a drink, you know, smoke their cigarettes, and play
02:04:21 7 games on the internet to win prizes. That was legal.

02:04:26 8 At some point the laws change in Ohio, around 2012,
02:04:30 9 2013. Now, what's the important date here? Is it
02:04:35 10 July 11th, 2018, the date of all the searches? That's one
02:04:39 11 of the important dates. Here's another important date:
02:04:43 12 May 15, 2012, the date the Jack casino opened up in
02:04:48 13 Cleveland. Because there was an onslaught of lobbyists and
02:04:54 14 other people trying to wield influence with the Legislature,
02:04:59 15 with local governments, with township governments to get --
02:05:03 16 shut down these places where people could go and play
02:05:06 17 legally, some illegally, before they opened.

02:05:11 18 So, what happens? They start raiding operations, game
02:05:16 19 rooms that have been open for years in what's, you'll find
02:05:22 20 out, Plain Township.

02:05:24 21 There was 17 to 20 of these gaming rooms in Plain
02:05:28 22 Township. You're going to hear testimony about what went
02:05:32 23 on, how they were set up, what -- you know, you're going to
02:05:35 24 hear people say all of them were paying cash.

02:05:39 25 But you're also going to hear testimony that the

02:05:41 1 township, knowing this, sold permits every year to these
02:05:47 2 businesses to keep running. They made hundreds of thousands
02:05:51 3 of dollars on it.

02:05:52 4 You're going to hear testimony how the sheriff knew
02:05:57 5 it, the sheriff of Stark County, who is law enforcement for
02:06:00 6 the township. You're going to know -- hell, he knew it too.
02:06:05 7 Oh, shucks, you know, I never saw any money change hands.
02:06:10 8 Well, everyone knew what was going on.

02:06:12 9 You're going to hear from some of the government's
02:06:14 10 witnesses how, when something would happen at any of these
02:06:17 11 game rooms, people would show up -- I'm sorry, the law
02:06:21 12 enforcement would show up. They'd come in, somebody --
02:06:23 13 somebody passed out on the floor, they'd see what was going
02:06:26 14 on. Somebody robbed somebody or stole something, the police
02:06:29 15 would come in, they'd look around. They knew what was going
02:06:32 16 on.

02:06:34 17 And I'm not saying because they knew it was going on,
02:06:36 18 that what was going on in those game rooms was legal, but it
02:06:41 19 sure felt legal.

02:06:42 20 Now, my client was not a part owner of these game
02:06:45 21 rooms after he went to prison in 2014. He divested. He was
02:06:49 22 done. He had 800 and something thousand dollars in his
02:06:55 23 hands, enough to pay whatever expenses he had for him and
02:06:59 24 his wife, who had her own business with substantial income,
02:07:03 25 for the period of time that he went to prison. He divested.

02:07:07 1 So, who is running these businesses?

02:07:10 2 You're going to hear about Jason Kachner and his wife,
02:07:14 3 Rebecca, and you're going to hear about Tom Helmick and this
02:07:19 4 Larry Dayton and a bunch of other people.

02:07:22 5 You're not going to hear that Mr. Karasarides Sr. was
02:07:28 6 in these places and was actively engaged in anything. If
02:07:31 7 anything, what he did was he said to his nephew, Tom
02:07:41 8 Helmick, 2011, 2010, there's a possible job for you to work
02:07:45 9 in these game rooms when they were internet cafes. He
02:07:50 10 hooked Tom into this business.

02:07:52 11 Jason Kachner. He helped start this business with
02:07:57 12 some other individuals, but by the time he went to prison,
02:08:00 13 he was out. These people were in.

02:08:02 14 Now, what happens?

02:08:04 15 The government sets their sight on Mr. Karasarides.
02:08:13 16 They start interviewing people pretty much after the search
02:08:15 17 in 2018. Now everyone's afraid. Anyone that has anything
02:08:20 18 do with these skilled game rooms or had any business
02:08:23 19 dealings with Mr. Karasarides at all, they are all terrified
02:08:29 20 when the IRS, the FBI, Homeland Security, whoever it is,
02:08:32 21 shows up at their house and says -- wants to talk to them
02:08:35 22 about these game rooms.

02:08:36 23 So who do -- what is the government looking for?

02:08:41 24 They're looking for evidence on Mr. Karasarides.

02:08:44 25 What did these witnesses figure out? Well, if I say

02:08:49 1 Mr. Karasarides did X, Y, and Z, doesn't that help me get
02:08:52 2 out of this and who cares about Mr. Karasarides? Who cares
02:08:56 3 about Christos? He's a degenerate gambler. And that's what
02:09:01 4 happened. That's what happened. You'll see every one of
02:09:04 5 these witnesses was approached in this way. They changed
02:09:06 6 their stories around, got closer to what the government
02:09:09 7 wanted.

02:09:10 8 You'll hear them on the stand and you'll hear them be
02:09:14 9 cross-examined, and eventually they come around to, oh, it
02:09:17 10 was all Christos Karasarides, he made me do it. That's what
02:09:19 11 you're going to hear.

02:09:21 12 A person like Jason Kachner, what are you going to
02:09:26 13 find out about him?

02:09:27 14 Kachner actually divided up the money, kept the money
02:09:33 15 from these game rooms. Now, he's going to say, oh, I
02:09:37 16 divided it up for me and Christos. But you're going to
02:09:40 17 listen to his testimony, and you'll decide whether he's
02:09:43 18 credible. You're going to find out this guy does drugs
02:09:46 19 every day, this entire time. This guy makes a number of
02:09:49 20 different statements that are not true. This guy is
02:09:54 21 indicted, along with these gentlemen (indicating), and is
02:09:58 22 looking at a substantial prison term.

02:10:00 23 But what does he do, for him and his wife? So what
02:10:05 24 does he do? He makes five, six, seven, ten statements, I
02:10:09 25 don't know how many, a lot, meets with the government over

02:10:11 1 and over again. And as he does, he builds this story that
02:10:14 2 it's all Christos.

02:10:16 3 That's what this case is. It's about human sources
02:10:20 4 putting Mr. Karasarides in the most blameworthy place.

02:10:25 5 Now, is my client perfect? No. Did his taxes get
02:10:28 6 paid the way they should? No. Did he rely on the advice of
02:10:33 7 attorneys, CPA's, and other professionals? Yes. And that's
02:10:37 8 going to come out.

02:10:40 9 I want you to know this. Like I said,
02:10:45 10 Mr. Karasarides, Christos, is not perfect. But he loves his
02:10:48 11 son, and there's no daylight between them. He is not
02:10:52 12 blaming his son for anything. He is not casting anything.

02:10:58 13 And I bet if Christos had do this over again, he would
02:11:02 14 have handled it differently. If he had the advice that
02:11:05 15 maybe I would have given him, he would have handled it
02:11:07 16 differently. But he handled it the way he did, and it's
02:11:10 17 unfortunate that his son is sitting here. And the only
02:11:12 18 reason he's sitting at that end of the table and Christos is
02:11:14 19 sitting there is because I sat down first this morning in
02:11:17 20 the spot that I like. It has nothing do with any daylight
02:11:21 21 between them.

02:11:21 22 So you're going to look at what the government has.
02:11:24 23 They've got all these notebooks full of paper, full of
02:11:28 24 numbers, full of stuff that they've gathered over the --
02:11:32 25 over the course of the years, and you're going to ask

02:11:35 1 yourself, is this case about paper or is it about people?
02:11:38 2 Because if it's about the people testifying, you're not
02:11:41 3 going to find Christos guilty. You're going to find that
02:11:44 4 he's not guilty of all these charges.

02:11:46 5 Thank you.

02:11:48 6 THE COURT: Thank you.

02:11:48 7 Mr. Kersey.

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02:11:51 9 OPENING STATEMENT BY DEFENDANT CHRISTOPHER KARASARIDES

02:11:51 10 MR. KERSEY: Thank you.

02:11:54 11 Ladies and gentlemen, Your Honor, co-counsel, I
02:11:58 12 appreciate you. I've been watching you as best I can. I'm
02:12:02 13 going to stand over here. And you've paid rapt attention,
02:12:06 14 close attention to what we've all been saying.

02:12:09 15 I'm telling you now you're going to find out a number
02:12:11 16 of things about Christopher Karasarides. Number one, he
02:12:15 17 might have known or suspected but didn't object to the fact
02:12:20 18 that his father's nefarious -- alleged nefarious activities.
02:12:26 19 He was never involved in any of the gambling, had no part of
02:12:28 20 that.

02:12:28 21 What he did was, he -- his father would ask him,
22 hey --

23 (Court reporter interjection.)

02:12:43 24 MR. KERSEY: So, what happened is, is the fact
02:12:47 25 that Christopher was asked by his father to do a number of

02:12:53 1 things. Now, that in and of itself does not mean that you
02:13:00 2 are part of a conspiracy.

02:13:01 3 There's a jury instruction on that. I mentioned that
02:13:03 4 to you before, and I want you to look at it closely.
02:13:05 5 Because you know about, because you're there with somebody
02:13:09 6 that is alleged to have done it, because that individual --
02:13:13 7 you might suspect that that individual is doing something,
02:13:17 8 that is his father, and you disapprove of it but you still
02:13:20 9 hang around him, you're still with him, doesn't mean that
02:13:23 10 you're part of the conspiracy. You have to knowingly join
02:13:25 11 it and agree to do whatever they're alleging. And you're
02:13:28 12 going to find that didn't happen.

02:13:30 13 Example. The money they're talking about with -- my
02:13:36 14 client was asked by his father, out of the blue, to put some
02:13:39 15 money in a safe deposit box, but no contact with it. It was
02:13:44 16 told to my client, the evidence will show, he won it
02:13:49 17 gambling. Mike Goldberg was just talking about it. He won
02:13:52 18 a lot of money gambling, wanted to put some of it in a box.
02:13:53 19 He asked my client to do it, and he did it at his father's
02:13:56 20 behest.

02:13:57 21 There's no -- there was no reason to -- that he was
02:14:00 22 involved in anything with it. He just did what his father
02:14:03 23 asked him to do like any good son.

02:14:04 24 You'll also find out that my client has absolutely no
02:14:09 25 criminal history. You'll find out from a friend of his that

02:14:13 1 he doesn't lie, cheat, steal, or tolerate those that do
02:14:18 2 that.

02:14:18 3 You'll also going to find out that all these things
02:14:23 4 with this real estate business he did, he -- those were
02:14:27 5 deals -- I believe were legitimate deals and that indicate
02:14:31 6 that my client was aware of what was going on. There was a
02:14:35 7 legitimate basis for that.

02:14:36 8 And you'll find out that he was a part owner in some
02:14:39 9 of these businesses and he derived income therefrom.

02:14:46 10 So I want you to consider that and also consider the
02:14:48 11 fact whether or not there was any joining of a conspiracy or
02:14:51 12 joining with his father to defeat the tax laws of the United
02:14:55 13 States.

02:14:55 14 You're going to find out that that didn't happen.
02:14:58 15 You're going to find out that he might have been there, he
02:15:00 16 might have known about it, but he didn't participate in it.

02:15:03 17 He was living at home with his father. He was around
02:15:06 18 him. But as far as being there, not objecting to it, and
02:15:11 19 merely present around does not make him a conspirator.

02:15:15 20 Find him not guilty.

02:15:16 21 Thank you.

02:15:17 22 THE COURT: Thank you.

02:15:17 23 You may call your first witness.

02:15:20 24 MR. BEAN: Your Honor, we have a couple issues
02:15:21 25 we'd like to address with the Court before we call our first

02:15:25 1 witness, including stipulations.

02:15:26 2 THE COURT: Okay. Did you give me

02:15:28 3 stipulations?

02:15:34 4 (Counsel conferring.)

02:15:44 5 MR. HOWELL: Your Honor, and also, I failed to

02:15:47 6 introduce, Carissa Welch is a paralegal from our office.

02:15:50 7 That's who's seated here with us.

02:15:52 8 THE COURT: The brains of the operation, I

02:15:53 9 know. You always are. Usually you're running the computers

02:15:58 10 though. Are you -- are you doing that? Okay. Yeah. Has

02:16:05 11 to be one intelligent one here.

02:16:13 12 MR. BEAN: Your Honor, while we're just doing

02:16:14 13 some signatures, we'd also like to address the summary

02:16:18 14 witness approval that we briefed in our trial brief as we

02:16:21 15 have our summary witness here, and we'd just like approval

02:16:24 16 that he may stay in the courtroom for the duration.

02:16:27 17 THE COURT: Sure. Sure.

02:16:31 18 MR. HOWELL: Judge, we also have a whole host

02:16:33 19 of binders for you, copies of the exhibits. Would you like

02:16:35 20 those up there or would you like them down here for now?

02:16:38 21 THE COURT: You can keep them down there.

02:16:40 22 MR. HOWELL: All right. I thought that would

02:16:41 23 be the answer.

02:16:41 24 THE COURT: I'll look at them on the screen.

02:16:47 25 But you'll have to take them back with you.

02:17:04 1 MR. BEAN: Your Honor, just on the record,
02:17:06 2 could you ask defense counsel that they've conferred with
02:17:10 3 their clients and both defense counsel and their clients
02:17:12 4 agree to these stipulations?

02:17:21 5 THE COURT: Mr. Goldberg?

02:17:22 6 MR. GOLDBERG: Your Honor, we have stipulated
02:17:23 7 to authenticity. We're reserving any relevance objections
02:17:28 8 at the time, or hearsay.

02:17:29 9 THE COURT: Okay. Mr. Fedor?

02:17:31 10 MR. FEDOR: Same thing, Your Honor.

02:17:32 11 THE COURT: Same thing?

02:17:33 12 MR. FEDOR: Thank you.

02:17:33 13 THE COURT: And Mr. Kersey, same thing?

02:17:35 14 MR. KERSEY: Judge, we filed objections to the
02:17:37 15 stipulations, and it was decided --

02:17:43 16 THE COURT: Well, you -- you're not objecting
02:17:45 17 to the authenticity. You're just --

02:17:46 18 MR. KERSEY: No.

02:17:47 19 THE COURT: You object to some relevance.

02:17:50 20 MR. KERSEY: Right. But I objected, Your
02:17:51 21 Honor, to 124 through 130, for the years 2011, '12, '13,
02:17:57 22 '14, '15, Judge, and I thought they were pulling those out.

02:18:01 23 THE COURT: They did.

02:18:02 24 MR. KERSEY: All right.

02:18:03 25 MR. BEAN: Your Honor, we are going to attempt

02:18:05 1 to admit those momentarily, and I would ask for a ruling on
02:18:08 2 the 902(1)/803 issue briefed in the trial --

02:18:13 3 THE COURT: Do you have a witness that you're
02:18:14 4 going to testify about that?

02:18:15 5 MR. BEAN: Well, so the argument in our trial
02:18:17 6 brief is that we don't need a witness because they're
02:18:19 7 certified public government records. And, you know, the
02:18:22 8 issue really is I would admit them now. If the Court would
02:18:26 9 not rule in our favor, we'd need to call a witness
02:18:29 10 eventually to get here.

02:18:30 11 THE COURT: Okay. You could just -- give it
02:18:33 12 up here.

02:18:38 13 When do you intend to -- when do you want to use it?

02:18:41 14 MR. BEAN: We'd admit them right now.

02:18:43 15 THE COURT: You want to use them right now?

02:18:46 16 MR. BEAN: I'm going to move to admit a whole
02:18:48 17 host of the tax records.

02:19:03 18 (Off-record discussion.)

02:19:23 19 THE COURT: Folks, remember I told you one way
02:19:25 20 evidence can come to you is by way of stipulation? And this
02:19:28 21 is a normal thing. You have documents, and rather than call
02:19:32 22 individuals for every document and we would be here until
02:19:36 23 next Christmas, and so there's a stipulation as to the
02:19:39 24 authenticity, which means if there's an official document
02:19:42 25 and the -- it is what it says it is.

02:19:44 1 Now, whether it's relevant to the case, I have to make
02:19:47 2 that decision at the appropriate time. So, but there are --
02:19:51 3 well, yeah, there are hundreds of these exhibits, so I'm not
02:19:56 4 going to read them all to you. You'll eventually --
02:19:59 5 whenever ones are admitted, you'll have a copy of all of
02:20:01 6 those with you when you go back to look at if you see fit.
02:20:05 7 Okay?

02:20:06 8 MR. BEAN: Thank you, Your Honor.

02:20:07 9 The government calls Garret Jordan.

02:20:50 10 THE COURT: Just walk over to the witness
02:20:52 11 stand there, Garret, if you would.

02:20:59 12 Would you raise your right hand for me.

02:21:01 13 Do you swear the testimony you are about to give here
02:21:03 14 will be the truth as you answer to God?

02:21:05 15 THE WITNESS: Yes.

02:21:05 16 THE COURT: Please have a seat.

02:21:07 17 And if you wish, you can pull the microphone around to
02:21:10 18 the right. The whole thing moves.

02:21:12 19 THE WITNESS: Okay.

02:21:13 20 THE COURT: You know what I mean? Yeah. That
02:21:14 21 way.

02:21:15 22 Could you tell us your full name, Garret, and spell
02:21:17 23 your last name.

02:21:19 24 THE WITNESS: Garret Jordan, J-o-r-d-a-n.

02:21:21 25 THE COURT: Thank you.

02:21:22 1 THE WITNESS: Yes.

02:21:23 2 THE COURT: Go ahead.

02:21:24 3 - - - - -

4 DIRECT EXAMINATION OF GARRET JORDAN

02:21:24 5 BY MR. BEAN:

02:21:24 6 Q Good afternoon, sir.

02:21:25 7 A Hello.

02:21:26 8 Q How are you employed?

02:21:27 9 A I'm a revenue agent with the IRS.

02:21:30 10 Q How long have you been with the IRS?

02:21:32 11 A Since 2009, so just coming up on 15 years.

02:21:36 12 Q And throughout that period, have you always been a
02:21:39 13 revenue agent?

02:21:40 14 A Yes.

02:21:40 15 Q And have you -- as a revenue agent, can you just
02:21:44 16 describe for the jury kind of what are your job
02:21:47 17 responsibilities, what do you do?

02:21:47 18 A So, my primary job is contacting taxpayers who are
02:21:53 19 being audited. I request documents from the taxpayer,
02:22:01 20 review them, interview the taxpayer to determine correct tax
02:22:05 21 assessments.

02:22:05 22 Q Now, before you joined the IRS, did you hold any other
02:22:10 23 employment?

02:22:11 24 A I've had various jobs, yes. But I -- my first job out
02:22:16 25 of college with an accounting degree was with the IRS.

02:22:21 1 Q And since you've been with the IRS, have you undergone
02:22:25 2 trainings?

02:22:25 3 A Yeah, I would say extensive compared to, you know, the
02:22:28 4 accounting world.

02:22:30 5 Q Are you familiar with individuals named Christos
02:22:34 6 Karasarides Jr. and Ron DiPietro?

02:22:36 7 A Yes.

02:22:36 8 Q How are you familiar with them?

02:22:38 9 A I performed an income tax examination on
02:22:43 10 Mr. Karasarides' income tax returns for 2009, 2010. And
02:22:48 11 Mr. DiPietro was the representative for Mr. Karasarides for
02:22:54 12 those examinations, and he prepared one of those two tax
02:22:57 13 returns.

02:23:00 14 MR. HOWELL: Judge, can we check, can they
02:23:02 15 hear him?

02:23:04 16 THE COURT: You got to move up.

02:23:06 17 Yeah, if you could keep your -- see me? If I'm this
02:23:09 18 far away, you can hear me. Whatever is comfortable for you,
02:23:16 19 Garret.

02:23:16 20 BY MR. BEAN:

02:23:17 21 Q I believe you described Mr. DiPietro as
02:23:19 22 Mr. Karasarides' representative.

02:23:20 23 A Correct.

02:23:20 24 Q What does that mean?

02:23:21 25 A So when there's an income tax examination, often the

02:23:24 1 individual who's being audited, they will have somebody
02:23:30 2 typically with tax knowledge be their representative in
02:23:33 3 front of the IRS to facilitate communications with the IRS
02:23:38 4 for -- on behalf of the taxpayer.

02:23:44 5 **Q** After you completed your examination, did you make a
02:23:47 6 tax assessment on Mr. Karasarides?

02:23:49 7 **A** Yes.

02:23:51 8 **Q** And I believe you might have mentioned this, but for
02:23:54 9 what years?

02:23:55 10 **A** 2009 and 2010.

02:23:57 11 **Q** Can you just approximate how much that assessment was?

02:24:01 12 **A** It was around half a million dollars for those two
02:24:04 13 years combined.

02:24:05 14 **Q** And did Mr. Karasarides ever pay all of those tax
02:24:09 15 obligations?

02:24:09 16 **A** No, not -- not during the audit, no. And then I've
02:24:16 17 reviewed subsequent transcripts where I've seen very little
02:24:20 18 payment but some occasional small amounts.

02:24:27 19 THE COURT: Are you objecting to that answer?

02:24:31 20 MR. GOLDBERG: He wasn't asked about other tax
02:24:34 21 transcripts. He was asked about whether he paid his taxes
02:24:36 22 for 2009 and 2010, Your Honor.

02:24:39 23 THE WITNESS: During my examination he did
02:24:40 24 not -- I think there's one \$5,000 payment out of the
02:24:45 25 500,000-ish tax deficiency.

02:24:47 1 BY MR. BEAN:

02:24:49 2 Q Did Mr. Karasarides self-assess taxes for 2011, 2012,
02:24:53 3 2013, and 2014?

02:24:55 4 A Yes.

02:24:55 5 Q And can you just approximate for the jury how much?

02:24:59 6 A All the years combined it was around 2.7 million.

02:25:04 7 Q That he assessed?

02:25:05 8 A Oh, the self-assessed amounts.

02:25:10 9 Q An approximation is fine.

02:25:15 10 Well, let me ask you this: Was it more than you
02:25:17 11 assessed for 2009 and 2010?

02:25:21 12 A Yes.

02:25:21 13 Q Did Mr. Karasarides ever pay the tax obligations that
02:25:24 14 were -- he self-assessed for 2011 through 2014?

02:25:28 15 A No. There was -- for the tax that he self-assessed,
02:25:34 16 there were very minimal amount of payments on those
02:25:40 17 assessments. Very small. But yes, he had made payments,
02:25:45 18 but insignificant is how I saw them.

02:25:49 19 Q Before we get into more details exactly about your
02:25:53 20 examination and any communications you had with the
02:25:57 21 defendants, can you just explain to the jury, what exactly
02:25:59 22 does -- when you start an examination, like, what are the
02:26:02 23 steps you take? What do you do?

02:26:04 24 A So, you send out a letter to the taxpayer notifying of
02:26:09 25 the audit. You give them publications and notice explaining

02:26:15 1 the audit procedures, processes, taxpayer rights,
02:26:21 2 responsibilities. You schedule with them, explain those
02:26:25 3 publications, notices. Request documentations to support
02:26:30 4 the tax that they reported or, when there is not a return
02:26:36 5 filed, you ask for the documents to arrive at correct tax
02:26:42 6 amounts.

02:26:42 7 So, in this particular case, summoning bank records,
02:26:47 8 reaching out to third parties to get that information if the
02:26:52 9 taxpayer can't proceed the information.

02:26:54 10 We interview the taxpayer and typically representative
02:26:58 11 present as well, what their filing was, where their records
02:27:04 12 are at.

02:27:05 13 So, after we collect that information, we determine a
02:27:10 14 correct or proposed correct tax amount, and then we solicit
02:27:16 15 agreement or protest to those amounts.

02:27:18 16 **Q** And is it accurate to say to do that that you need to
02:27:22 17 determine their income?

02:27:23 18 **A** Yes.

02:27:24 19 **Q** Are there certain types of income that it's hard for
02:27:28 20 you to identify when doing an examination?

02:27:31 21 **A** Cash transactions are easily the most difficult, in my
02:27:36 22 experience, so cash transactions are more difficult to trace
02:27:40 23 than other transactions.

02:27:42 24 **Q** Why are they more difficult?

02:27:46 25 **A** Because it's hard to detect. It's not always

02:27:49 1 deposited. Where there's a check written or an electronic
02:27:53 2 transfer, there's a record and a bank statement, or you're
02:28:01 3 an employee and you receive a W-2, the money you receive is
02:28:04 4 summarized by the employer. So those records are easier to
02:28:08 5 identify in an examination than a cash transaction that may
02:28:11 6 or may not have gone through a bank account.

02:28:16 7 **Q** Now, when you're doing examination, if a taxpayer is
02:28:21 8 represented, can you talk about what are your steps that you
02:28:24 9 take regarding communications with the taxpayer and/or their
02:28:27 10 representative?

02:28:30 11 **A** After the initial letter is sent out, once they secure
02:28:34 12 representation, all of our communication goes through the
02:28:38 13 representation -- the representative, primarily. We had --
02:28:42 14 in this circumstance, we had numerous phone calls and at
02:28:47 15 least, you know, one -- the interview, and then I had picked
02:28:53 16 up some paperwork from his office. But I don't think we had
02:28:55 17 a large communication on that occasion. But I was on the
02:28:58 18 phone with Mr. DiPietro.

02:29:08 19 **Q** During the course of the examination, what kind of
02:29:11 20 records do you keep?

02:29:15 21 **A** I think the short answer is everything we get.

02:29:17 22 So, bank statements, in this circumstance bank
02:29:22 23 statements, Forms 1099, statements from casinos summarizing
02:29:30 24 gambling transactions, 1099s, which are forms issued for
02:29:38 25 commissioned income. When someone earns commissioned

02:29:41 1 income, they're often issued a 1099 for the person paying
02:29:45 2 them for commissions. And there's probably more, so. . . I
02:29:52 3 mean, I think those are the primary things in this case:
02:29:55 4 Bank statements, Forms 1099, Forms W-2G in this
02:30:01 5 circumstance, which is a W-2 for gambling earnings and
02:30:05 6 transactions, and then Forms 1099 that were issued to
02:30:11 7 Mr. Karasarides for commissioned income.

02:30:14 8 MR. BEAN: Can we please pull up Exhibit 183
02:30:19 9 for the witness.

10 BY MR. BEAN:

02:30:25 11 **Q** Mr. Jordan, do you recognize this document?

02:30:26 12 **A** At the moment, nothing on the screen.

02:30:31 13 THE COURT: There's a button somewhere on
02:30:34 14 there.

02:30:35 15 THE WITNESS: There's a -- there's a U.S.
02:30:37 16 District Court emblem but no other shared screen. So the
02:30:40 17 power is on. I'll turn the power back off, back on.

02:30:45 18 COURTROOM DEPUTY: It's going on with our
02:30:46 19 system. Do you guys have anything?

02:30:50 20 (Off-record discussion.)

02:33:02 21 BY MR. BEAN:

02:33:03 22 **Q** Mr. Jordan, what is this document?

02:33:05 23 **A** This is my activity record for the -- my exam steps,
02:33:12 24 procedures, correspondence record which we do in real time
02:33:17 25 for every audit that we do, we maintain one of these

02:33:20 1 activity records. This is the one for the -- my activity
02:33:22 2 record for the 20 -- the 2009-2010 examination of
02:33:27 3 Mr. Karasarides.

02:33:28 4 **Q** And are you largely responsible for creating this
02:33:31 5 document?

02:33:31 6 **A** Yeah. Solely.

02:33:32 7 **Q** All right.

02:33:32 8 MR. BEAN: The government will move this
02:33:34 9 document into evidence. And I believe it's also part of --

02:33:36 10 THE COURT: We'll wait until the appropriate
02:33:38 11 time, when you rest.

02:33:42 12 BY MR. BEAN:

02:33:42 13 **Q** When did the examination start?

02:33:44 14 **A** June of 2011.

02:33:47 15 **Q** And at that time, what tax periods were covered?

02:33:51 16 **A** We opened the examination with only the 2009 tax year.
02:33:56 17 There was not a return filed.

02:33:59 18 **Q** For whom?

02:33:59 19 **A** For Mr. Karasarides.

02:34:02 20 **Q** How did this examination get assigned to you?

02:34:05 21 **A** I had been performing an audit for a different
02:34:10 22 business entity who was paying commissions to
02:34:13 23 Mr. Karasarides. So that's our common and typical practice
02:34:20 24 when we audit a taxpayer, sometimes individual or business,
02:34:25 25 but if they are making payments to someone for commissions,

02:34:28 1 we will do a check to see if those individuals reported that
02:34:31 2 income.

02:34:31 3 And in this circumstance, there was no income reported
02:34:34 4 for 2009 by Mr. Karasarides for his income earned from
02:34:45 5 Elite Entertainment.

02:34:47 6 **Q** Was that the business you were doing the audit of?

02:34:49 7 **A** Yes.

02:34:49 8 **Q** And were you auditing anyone else associated with
02:34:59 9 Elite Entertainment?

10 **A** Yes.

11 **Q** Who?

02:35:01 12 **A** Mr. George Kopoulos.

02:35:01 13 **Q** And is that the individual's last name? Is that the
14 last name of the individual?

15 **A** Yes.

02:35:03 16 **Q** Do you recall the individual's first name?

02:35:05 17 **A** George.

02:35:10 18 **Q** So the assessment -- the examination gets assigned to
02:35:14 19 you. What -- can you walk us through, what are your first
02:35:16 20 steps?

02:35:17 21 **A** So, we reach -- we get we call it picking up the
02:35:24 22 audit, so it was auditing a different return. We noticed
02:35:26 23 this, you know, non-reported income, so we get -- explain
02:35:31 24 that to our -- my supervisor. He authorizes picking up a
02:35:35 25 related return is what we would call it.

02:35:37 1 So we do some pre-audit steps to verify, hey, did this
02:35:44 2 questionable transaction, does it warrant being audited.
02:35:48 3 So, hey, is there -- does the IRS have support or can the
02:35:52 4 IRS gain support to support an adjustment if that's
02:35:57 5 necessary.

02:35:58 6 The supervisor approves. Then we initiate the
02:36:00 7 examination, you know, with a letter after a supervisor
02:36:04 8 approves, of course, by sending out the letter that I
02:36:07 9 referenced earlier notifying them that the audit is going
02:36:11 10 to -- is being undergone.

02:36:12 11 **Q** And did you have contact with Mr. Karasarides
02:36:15 12 directly?

02:36:16 13 **A** Through correspondence.

02:36:20 14 I don't recall a phone conversation, but we had
02:36:26 15 conversation through -- I had issued correspondence via a
02:36:28 16 letter, and then I was contacted by Mr. Karasarides's future
02:36:32 17 representative, Mr. DiPietro, which is common. That's
02:36:35 18 pretty common, that a representative would contact us when a
02:36:40 19 taxpayer receives an audit notice.

02:36:41 20 **Q** And approximately when were you first contacted by
02:36:44 21 Mr. DiPietro?

02:36:47 22 **A** It was maybe 7 to 10 days. I guess I could look at
02:36:54 23 this, but -- it's on here, but I think about a week after I
02:36:56 24 mailed the notice, which is typical, so taxpayer would have
02:36:59 25 received that, you know, a couple days after I issued it.

02:37:01 1 He probably talks to a representative. Representative
02:37:04 2 reaches out to the examiner, me in that case. So a week
02:37:07 3 later.

02:37:07 4 **Q** And when you had contact with Mr. DiPietro, did you
02:37:09 5 explain why you were picking up Mr. Karasarides' examination
02:37:13 6 for 2009?

02:37:15 7 **A** I did, but I didn't -- just for clarification, I
02:37:18 8 didn't do it right on that first contact because we have to
02:37:22 9 have verification that that representative is authorized to
02:37:27 10 represent the taxpayer. So when a taxpayer wants to use
02:37:31 11 representation, they need to provide the IRS examiner -- a
02:37:38 12 Form 2848 typically is a form where the taxpayer officially
02:37:44 13 authorizes someone to represent them.

02:37:46 14 So I think it took a month or two before we got that
02:37:48 15 secured before I could discuss that with Mr. DiPietro, until
02:37:51 16 I had that verification for authorization.

02:37:54 17 **Q** And after you had that verification, did you discuss
02:37:57 18 with Mr. DiPietro exam procedures?

02:38:02 19 **A** Yes.

02:38:02 20 **Q** How about what would happen if there was a proposed
02:38:05 21 tax adjustment?

02:38:06 22 **A** Yeah. We -- multiple conversations on the -- well,
02:38:14 23 one at the initial examination. And then when we got into
02:38:20 24 the proposing adjustments, discussing adjustments, and for a
02:38:22 25 closing conversation, we discussed, you know, hey, if there

02:38:27 1 is an assessment, that it's agreed on then, I -- we did -- I
02:38:33 2 did solicit payment at the end of the examination. But if
02:38:38 3 there's an amount due, we solicit payment, which is --
02:38:41 4 that's standard.

02:38:42 5 Any, you know, IRS audit procedure we would solicit
02:38:46 6 payment, ask if they had the ability to pay, and then offer
02:38:49 7 options on how they can make payments through collections if
02:38:53 8 they can't pay during the examination time frame.

02:38:56 9 So, yes, we had those discussions about payment being
02:38:59 10 due for these adjustments.

11 MR. BEAN: Carissa, can you go to page 3 for
12 us?

02:39:05 13 BY MR. BEAN:

02:39:05 14 **Q** And did you inform Mr. DiPietro that if an assessment
02:39:11 15 is made, that collections -- that could get sent to
02:39:15 16 collections?

02:39:15 17 **A** Yes. Yes.

02:39:15 18 **Q** Is that -- is it unusual for after an assessment to
02:39:19 19 get sent to collections?

02:39:20 20 **A** It's very common. If the taxpayer doesn't -- if
02:39:23 21 there's an amount due to the IRS, we solicit payment. And
02:39:29 22 if they don't make payment, we explain their options during
02:39:34 23 the exam and what the options are after the exam with the
02:39:40 24 IRS collection department, who after an exam is closed and
02:39:44 25 there's an amount due, collections -- the collections

02:39:46 1 department of the IRS reaches out to the taxpayer to set up
02:39:52 2 payment plans. And that's discussed at the beginning of the
02:39:55 3 audit and at the end before we close. And in this case and
02:40:00 4 others, we discuss that usually a time or two in between.

02:40:02 5 **Q** Now, I believe you testified that you picked up this
02:40:06 6 examination because Mr. Karasarides had not filed a 2009
02:40:09 7 return. At some point, were there discussions with
02:40:12 8 Mr. DiPietro about Mr. Karasarides filing a 2009 tax return?

02:40:16 9 **A** Yes.

02:40:18 10 I -- when -- so when we had the contact and we were
02:40:23 11 explaining what the purpose of the audit was and the
02:40:26 12 procedures, we solicit them to file a return. We in short
02:40:34 13 say, hey, we have information showing you have income but no
02:40:36 14 return is filed, would you file a return with us at exam.
02:40:42 15 So, Mr. DiPietro and I had that discussion, and at -- I'd
02:40:51 16 have to look at the date, but at some point during the audit
02:40:55 17 they filed a tax return with the service center, not with
02:40:59 18 me, the auditor. So, I did eventually receive what we call
02:41:04 19 a delinquent return, which is a tax return filed after the
02:41:08 20 due date, so a late return filed.

02:41:11 21 **Q** We'll return to that shortly.

02:41:13 22 Ultimately, at the end of the -- kind of the
02:41:17 23 examination that you did, did you prepare any types of
02:41:20 24 records, you know, kind of summing up all the work and what
02:41:23 25 determinations you had made?

02:41:24 1 **A** Yeah. Generically, I'd say that's an audit report.
02:41:28 2 It's a Form 4549, but it's an examination report.

02:41:34 3 So at the end of the audit, if there's adjustments
02:41:36 4 proposed such as in this case, we prepare a report that
02:41:39 5 shows the adjustments, tax penalties, interest amounts due
02:41:45 6 based on those adjustments. And along with that, it looks
02:41:50 7 kind of like a spreadsheet, but with that we also send them
02:41:53 8 copies of work papers explaining why those adjustment were
02:41:56 9 made and what those adjustment numbers were.

02:41:59 10 **Q** And in the course of doing that, did you have
02:42:00 11 discussions with Mr. DiPietro about determinations you had
02:42:04 12 made and why you had made them?

02:42:06 13 **A** Yeah. Several. Several. We had lots of
02:42:10 14 communication throughout this audit.

02:42:11 15 **Q** Did you ever express any objections?

02:42:13 16 **A** Yeah. There were -- there were a couple objections.

02:42:17 17 So I issued a report that was orally objected to, and
02:42:24 18 Mr. DiPietro and I and my supervisor had had conversations
02:42:27 19 about gambling income, so money earned from gambling.
02:42:33 20 Mr. Karasarides was claiming to be a professional gambler,
02:42:39 21 so the income and deductions get reported on a different
02:42:44 22 place on your tax return and potential different tax
02:42:48 23 treatment based on if it's a professional gambler, which
02:42:54 24 would be claimed as a business versus personal income and
02:42:57 25 personal expenses for the winnings and losses from gambling.

02:43:00 1 So, Mr. DiPietro, he disagreed and said that
02:43:06 2 Mr. Karasarides was a professional gambler, so that those
02:43:11 3 transactions should be reported on the business section of
02:43:13 4 his income tax return, a Schedule C.

02:43:22 5 **Q** Did you take his objection?

02:43:23 6 **A** Yeah. We discussed it, and the IRS conceded, you
02:43:27 7 know, disagreeing with that issue, and we left the gambling
02:43:30 8 transactions as a business on his income tax return.

02:43:39 9 **Q** Did you make any determinations about specific checks
02:43:41 10 that were written to Mr. Karasarides?

02:43:42 11 **A** Yes.

02:43:42 12 Along the lines of things that were objected to, a
02:43:45 13 good portion of the income amount that the IRS determined
02:43:48 14 was pretty simple, you add up all the deposits into
02:43:53 15 Mr. Karasarides' bank statements. So, we add up all the
02:43:57 16 deposits and say, hey, you know, this is potential income.
02:44:05 17 And then we go through -- we summonsed bank statements. So
02:44:09 18 they bring the bank statements, and they show the, we call
02:44:10 19 them deposit detail. So if you deposit a check, a copy of
02:44:13 20 the check would come, or a bank transfer would show all
02:44:16 21 those transactions.

02:44:17 22 So some of the money that were within the bank records
02:44:25 23 that were given to us, we had copies of canceled checks,
02:44:29 24 commissions checks. They would say commissions on the
02:44:31 25 bottom. They were not deposited into the bank accounts.

02:44:35 1 They were deposited into a bank account that didn't --
02:44:40 2 someone -- it seemed like someone else's or another business
02:44:43 3 bank account. I'm trying to recall the name of the account,
02:44:47 4 but it was a. . .

02:44:51 5 So, he had checks issued to him that he deposited in
02:44:54 6 somebody else's account. I included those as income in the
02:44:58 7 exam assessment because I said, hey, those checks written to
02:45:01 8 him were income. Just because they weren't deposited in his
02:45:05 9 personal bank account, they were still income to him, so
02:45:09 10 they're the deposit amounts plus those checks that were
02:45:11 11 issued to him that were not deposited. So it's kind of a
02:45:14 12 pretty basic calculation to include those in his income.
02:45:18 13 And I think it was Elite --

02:45:23 14 **Q** Was it the same business?

02:45:24 15 **A** It had a similar name, but it was I think a music -- a
02:45:28 16 music name.

02:45:30 17 **Q** That's all right.

02:45:31 18 **A** But it was not his personal bank account.

02:45:37 19 **Q** Turning back to 2009 return, I think you testified, I
02:45:40 20 believe, that it was filed with the service center.

02:45:43 21 **A** Yes.

02:45:43 22 **Q** What's the service center, just briefly?

02:45:45 23 **A** So, and I'm not involved at the service center, but
02:45:49 24 they -- if any individual would file a tax return with --
02:45:54 25 via paper, it would get mailed to the service center, and

02:45:56 1 they would process that tax return.

02:45:58 2 **Q** And were you surprised that it was filed with the
02:46:00 3 service center, the 2009 one?

02:46:02 4 **A** Yeah, because I -- we had had communication and I had
02:46:06 5 expressed, hey, when you're under audit, your account is
02:46:09 6 frozen. So if you file a tax return, it has to go to the
02:46:14 7 auditor who is auditing the exam because the account's
02:46:19 8 frozen. So the service center eventually sent that to me,
02:46:23 9 you know, but months later.

02:46:25 10 MR. BEAN: Can we please pull up Exhibit 100,
02:46:28 11 which is. . . and go to Page 2, please.

02:46:33 12 BY MR. BEAN:

02:46:34 13 **Q** Just briefly, what is -- what is this that we're
02:46:37 14 looking at?

02:46:37 15 **A** It's an account transcript for Mr. Karasarides' 2009
02:46:42 16 Form 1040.

02:46:43 17 **Q** And does the IRS keep records of a tax return being
02:46:47 18 filed?

02:46:47 19 **A** Yes. And this would show that.

02:46:49 20 **Q** Does the IRS keep records when it receives payment?

02:46:53 21 **A** Yes. It would be shown on the same transcript if
02:46:56 22 they -- if there were payments made.

02:46:58 23 **Q** So this specific record?

02:46:59 24 **A** Yes.

02:47:00 25 **Q** For 2009?

02:47:01 1 **A** Yes. So it shows the filed tax return. For payments
02:47:09 2 made, I would look down to verify, but I think there was one
02:47:12 3 \$5,000 payment made on this one, but I'd have to see it on
02:47:16 4 there specifically to see it.

02:47:16 5 **Q** And is this the account transcript for
02:47:19 6 Mr. Karasarides?

02:47:19 7 **A** Yes.

02:47:21 8 MR. BEAN: Can we please --

02:47:22 9 THE WITNESS: 2009.

02:47:24 10 MR. BEAN: -- pull up Exhibit 184.

02:47:27 11 BY MR. BEAN:

02:47:28 12 **Q** What is this?

02:47:29 13 **A** Mr. Karasarides filed 2009 income tax return,
02:47:35 14 previously referenced as filed with the service center, then
02:47:39 15 forwarded to exam a couple months later, a few months later.

02:47:43 16 **Q** And how do you know that this is the 2009 return?

02:47:45 17 **A** I can see the label that was put on there by the
02:47:48 18 taxpayer, but it also has the date stamp. So when the IRS
02:47:51 19 service center receives a tax return, they put that date
02:47:54 20 stamp on there. So the IRS -- that's the IRS's official
02:47:59 21 stamp to notify when that return was filed received.

02:48:03 22 **Q** And who is the taxpayer for this return?

02:48:05 23 **A** Mr. Karasarides.

02:48:07 24 MR. BEAN: And can we go to the next page?

02:48:09 25 BY MR. BEAN:

02:48:11 1 Q Is there a signature down at the bottom?

02:48:13 2 A Yes.

02:48:14 3 Q And does it appear that this document was signed?

02:48:17 4 A By --

02:48:18 5 Q By an individual, presumably the taxpayer?

02:48:22 6 A Correct.

02:48:22 7 Q Is there a paid preparer listed here?

02:48:24 8 A Yes. Mr. DiPietro.

02:48:33 9 Q Is this a true and accurate representation of the 2009

02:48:35 10 tax return Mr. Karasarides filed with the IRS?

02:48:40 11 A Yes.

02:48:43 12 MR. BEAN: Can we go -- no. This is fine.

02:48:46 13 BY MR. BEAN:

02:48:47 14 Q How much adjusted gross income did Mr. Karasarides

02:48:49 15 report on this return?

02:48:52 16 If you need us to change pages, just let us know.

02:48:55 17 A That's fine.

02:48:57 18 It's right around 450,000.

02:49:00 19 Q And how much tax did he self-assess?

02:49:04 20 A Right around \$157,000.

02:49:06 21 Q And where do we see that on this form?

02:49:11 22 A Line 75.

02:49:14 23 Sorry, the better line is Line 60. They're the same

02:49:17 24 number, but --

02:49:18 25 Q Can you just describe, you know, since the jury -- you

02:49:22 1 can't really point. You can draw on the screen.

02:49:25 2 Can you just point next to that line?

02:49:28 3 **A** (Witness complies).

02:49:29 4 **Q** Perfect. Thank you.

02:49:30 5 Have you reviewed it -- did you review this tax return
02:49:32 6 during your audit?

02:49:33 7 **A** Yes.

02:49:33 8 **Q** And did you use it as the basis for an assessment in
02:49:37 9 2009?

02:49:39 10 **A** Yeah. So I -- so, we processed this return as it was,
02:49:45 11 so we assessed the tax that self-reported, and then the
02:49:48 12 audit continued to -- because there was additional tax due
02:49:53 13 for unreported income, a couple other adjustments, but this
02:49:57 14 was the basis. We started with this, assessed this tax, and
02:50:00 15 then through the examination, the IRS examination, we
02:50:05 16 proposed additional adjustments from this return amount.

02:50:08 17 **Q** Did you discuss this tax return with Mr. DiPietro
02:50:11 18 during your examination?

02:50:13 19 **A** Yeah, yeah, yeah. Often.

02:50:15 20 **Q** So did you receive additional information from him
02:50:17 21 about what was reported on this tax return?

02:50:20 22 **A** They -- they had some bank statements, and the gross
02:50:28 23 receipts reported on this return were based on bank
02:50:32 24 statements. Plus there was -- Mr. DiPietro informed that he
02:50:38 25 had added around a hundred thousand dollars of additional

02:50:43 1 income just to make sure everything was covered.

02:50:46 2 **Q** Have you ever, in your career, ever run into a
02:50:49 3 situation where a tax preparer told you they added a hundred
02:50:54 4 thousand dollars of income just to make sure they're
02:50:57 5 covered?

02:50:57 6 **A** No. That's very odd. I've never heard of that. Just
02:51:00 7 like the IRS, we do an audit, if there's income not
02:51:04 8 reported, it's also required to not report income because
02:51:09 9 [sic] -- that's very odd for somebody to add income to pay
02:51:12 10 tax on.

02:51:13 11 **Q** Does this return report that Mr. Karasarides owned a
02:51:17 12 business -- businesses?

02:51:19 13 **A** Yes.

02:51:20 14 **Q** Where on a tax return would we find information
02:51:23 15 related to any businesses?

02:51:25 16 **A** So there's a Schedule C is the schedule that gets
02:51:30 17 attached to file with your income tax return. So the
02:51:33 18 Schedule C is the business, in this case a sole
02:51:41 19 proprietorship, where an additional business or businesses
02:51:43 20 would be reported. Two of those schedules on this one, I
02:51:45 21 believe.

02:51:45 22 **Q** And what are we looking at right now?

02:51:47 23 **A** This is Mr. Karasarides' 2009 Schedule C for reported
02:51:52 24 vending income.

02:51:54 25 **Q** Is there a name reported for that business?

02:51:57 1 **A** CK- -- C Care Corp.

02:52:01 2 **Q** Did you have discussions with Mr. DiPietro about the
02:52:04 3 nature of this business and exactly what Mr. Karasarides was
02:52:07 4 doing with this business?

02:52:08 5 **A** Yes.

02:52:08 6 **Q** And can you tell us about those conversations?

02:52:12 7 **A** He was selling what they called sweepstakes software,
02:52:17 8 so he would get commissions for selling sweepstakes software
02:52:24 9 where he would -- I think mostly in Ohio, a little bit in
02:52:27 10 Florida, he would sell a software, get commissions. And he
02:52:31 11 would also solicit businesses that used the software to open
02:52:36 12 new businesses, and then he would look for individuals to
02:52:38 13 open new businesses where this software could be used.

02:52:44 14 **Q** Did Mr. DiPietro tell you how sweepstakes software was
02:52:49 15 used?

02:52:49 16 **A** Yes.

02:52:49 17 **Q** How did he describe it?

02:52:51 18 **A** So, I think the easiest way to picture it is usually
02:52:55 19 in a strip mall type situation they would have machines set
02:52:58 20 up, computers, where a customer would come in, pay -- they
02:53:05 21 would give money to earn playing points or playing time.
02:53:11 22 Then they would play games which they described as
02:53:16 23 sweepstakes where -- they described them as games of chance,
02:53:18 24 where if they would win these games of chance, then they
02:53:22 25 would earn payouts.

02:53:29 1 Q Were any other businesses reported on the tax return?

02:53:31 2 A Yes. This is the second business reported on this tax
02:53:35 3 return for 2009 for gambling. Previously mentioned
02:53:41 4 professional gambling.

02:53:41 5 Q So this is the same professional gambling you were
02:53:44 6 talking about where you had made a determination and
02:53:46 7 Mr. DiPietro had an objection and the IRS backed down from
02:53:49 8 its position that you described earlier?

02:53:51 9 A Correct.

02:53:54 10 Q Are there any -- can you just tell the jury about what
02:53:58 11 is a Schedule E, just briefly?

02:54:00 12 A A Schedule E is where a person would report their
02:54:03 13 income from rental properties, or we call it flow-through
02:54:11 14 income. So if you have a sub-corporation or partnerships,
02:54:15 15 and in Mr. Karasarides' case he had partnerships and an S
02:54:19 16 corp., so your interest from those partnerships would be
02:54:21 17 reported on that Schedule E.

02:54:22 18 Q And before we look to see if there's a Schedule E on
02:54:25 19 this return, what kind of schedule is this here?

02:54:28 20 A This is a Schedule E. So this is the profit or loss
02:54:31 21 from business, from business activity.

02:54:32 22 Q And I didn't catch what letter, I think some of the
02:54:36 23 letters sound similar, but can you say that again, a
02:54:38 24 schedule what?

02:54:39 25 A Oh, Schedule C.

02:54:40 1 Q Got it.

02:54:41 2 A As in cat.

02:54:42 3 Q Yeah. And under where it says profit or loss from
02:54:45 4 businesses, is there some text in parentheses?

02:54:48 5 A Sole proprietorship.

02:54:51 6 Q And what is a sole proprietorship?

02:54:53 7 A That's when an individual runs a business, so that
02:54:58 8 would be Mr. Karasarides' personal business reported on
02:55:04 9 Schedule C.

02:55:05 10 Q And if -- if an individual had a business and they had
02:55:08 11 partners, would they report it on a Schedule C?

02:55:10 12 A It's possible, but that's not the typical, no.

02:55:17 13 MR. BEAN: Carissa, can we flip a little bit?

02:55:24 14 I'll tell you when. Keep going. You can stop.

02:55:24 15 BY MR. BEAN:

02:55:25 16 Q Is this Schedule E that you referenced earlier?

02:55:26 17 A Yes, from the same tax return, yes.

02:55:30 18 Q And what -- briefly, just what's on it?

02:55:32 19 A Rental activity. No income, but the expenses for
02:55:36 20 rental properties.

02:55:37 21 Q Okay.

02:55:38 22 MR. BEAN: And Carissa, can you go to the next
02:55:40 23 page? And the next one? And the next one?

02:55:45 24 BY MR. BEAN:

02:55:47 25 Q So does Mr. Karasarides report any other business

02:55:49 1 interest on this tax return?

02:55:51 2 **A** I think you're wanting to move down another page or
02:55:54 3 two, maybe.

02:55:55 4 **Q** One more page?

02:56:01 5 You can tell us when to stop or -- keep going?

02:56:04 6 **A** Yeah. Keep going. We're looking for the Schedule E.
02:56:07 7 I think the pages just got out of order.

02:56:12 8 MR. BEAN: It's frozen?

02:56:15 9 MS. WELCH: This is the last page.

10 BY MR. BEAN:

02:56:19 11 **Q** This is the last page. So are there any other
02:56:20 12 businesses?

02:56:21 13 **A** Oh. Oh, yeah, no other businesses then on this
02:56:24 14 return, because this. . .

02:56:30 15 **Q** At some point did you come to do an examination on
02:56:34 16 Mr. Karasarides for 2010?

02:56:36 17 **A** Yes.

02:56:37 18 **Q** How did that happen?

02:56:39 19 **A** There was no 2010 return filed. And based on the 2009
02:56:50 20 examination and records available, there was income required
02:56:52 21 to be reported, but there was no return filed for that
02:56:54 22 income.

02:56:54 23 **Q** And in the course of that did you interact with
02:56:57 24 Mr. DiPietro?

02:56:58 25 **A** Yeah. Similar -- same way, continually throughout the

02:57:03 1 audit once we picked it up.

02:57:04 2 **Q** And was it prepared in parallel with the 2009
02:57:07 3 examination?

02:57:08 4 **A** The exam was done in parallel. 2009 and 2010 were
02:57:12 5 done parallel, yes.

02:57:13 6 **Q** Was any return ever filed by Mr. Karasarides for 2010?

02:57:18 7 **A** No.

02:57:19 8 **Q** Did you complete an examination for 2010?

02:57:22 9 **A** Yes.

02:57:28 10 MR. BEAN: Can you please pull up Exhibit 201.

02:57:31 11 BY MR. BEAN:

02:57:31 12 **Q** What are we looking at here?

02:57:32 13 **A** This is the front page of an examination report
02:57:34 14 referenced earlier. 4549 is the form number.

02:57:38 15 **Q** Who is the taxpayer?

02:57:40 16 **A** Mr. Karasarides.

02:57:41 17 **Q** Did you prepare this document initially?

02:57:44 18 **A** Yes.

02:57:46 19 MR. BEAN: And Carissa, could we go to the
02:57:47 20 next page?

02:57:49 21 BY MR. BEAN:

02:57:50 22 **Q** Is there a signature down on the bottom of this?

02:57:53 23 **A** Yes. Mr. Karasarides signed that for the audit.

02:57:57 24 **Q** How did you -- did you ever come to receive this
02:58:00 25 document in this form, signed?

02:58:03 1 **A** Yeah. I physically picked up this physical paper
02:58:07 2 document from Mr. DiPietro's office on August 12th, 2012,
02:58:13 3 the date stamp there. That's my date stamp.

02:58:15 4 **Q** On this document, do you assess additional tax against
02:58:20 5 Mr. Karasarides?

02:58:21 6 **A** Yeah. So once the IRS, the exam, we propose
02:58:25 7 adjustment as shown on this report. We've gone through lots
02:58:28 8 of transactions of explaining, discussing, reviewing
02:58:31 9 records. At the end, this was my proposed adjustments. We
02:58:33 10 discussed it with Mr. DiPietro, and they agreed to this --
02:58:38 11 to this adjustment.

02:58:40 12 **Q** And how much did you assess for each year? And if we
02:58:44 13 need to change pages of this document, just let us know.

02:58:47 14 **A** Yeah. So, for 2009, it was right about \$70,000 and
02:58:51 15 for 2010, about 430,000. But the 70,000 for 2009, that's in
02:58:57 16 addition, above and beyond what was reported on the 2009
02:59:01 17 return. I think that's a distinction there.

02:59:03 18 **Q** So, are you saying that what Mr. Karasarides owed for
02:59:06 19 2009 would include what he reported on that 2009 return,
02:59:11 20 plus this figure here that you assessed?

02:59:14 21 **A** Correct. There's a -- I think a hundred -- we went
02:59:16 22 over that before. 156,000 was on the late-filed return, and
02:59:20 23 then this amount was in addition to that amount.

02:59:24 24 **Q** And do these amounts, do they include penalties?

02:59:27 25 **A** This does, yes.

02:59:29 1 Q Is it common course for the IRS to assess penalties in
02:59:33 2 certain situations?

02:59:34 3 A Yeah, very, very.

02:59:35 4 Q Just -- can you give us -- what penalties were
02:59:38 5 assessed here?

02:59:39 6 A Failure to file and failure to pay. I think they're
02:59:42 7 somewhat self-explanatory. If there's a return not filed
02:59:46 8 when one is required, if it's not filed on time, and then if
02:59:49 9 there is tax due, there's a failure to pay penalty for not
02:59:55 10 paying tax that's owed. And this also has much smaller
03:00:01 11 amount but estimated tax.

03:00:05 12 So an employee might have taxes withheld from their
03:00:09 13 paycheck. If you're self-employed, you'd be required to
03:00:13 14 make estimated payments quarterly on that tax. So that
03:00:15 15 penalty is for not paying those estimated tax penalties.

03:00:19 16 Q Does the IRS assess interest on unpaid tax debts?

03:00:23 17 A Yes.

03:00:23 18 Q Are you responsible for calculating any interest
03:00:26 19 assessments?

03:00:27 20 A We're not responsible. We would say this is a
03:00:30 21 courtesy calculation. The service center actually keeps the
03:00:34 22 official calculation, but the software that we use to
03:00:37 23 prepare this report, it does that calculation of the
03:00:42 24 interest at the date shown here on the report.

03:00:45 25 Q Is it accurate to say that for every day

03:00:48 1 Mr. Karasarides did not pay these assessments, the IRS
03:00:51 2 charged interest and the amount he owed went up?

03:00:56 3 **A** Yes. It compounds daily.

03:00:58 4 **Q** Now, we looked earlier at the signature at the bottom?

03:01:00 5 **A** Yes.

03:01:01 6 **Q** By signing this document, what does that mean?

03:01:03 7 **A** That they agreed to the tax amounts and to be held
03:01:07 8 liable for the tax shown on the report.

03:01:10 9 **Q** And do you see there's some printed text right below
03:01:15 10 where it says your name and right above the signature?

03:01:17 11 **A** Yes.

03:01:18 12 **Q** Can you read the first two sentences there?

03:01:20 13 **A** Yeah.

03:01:20 14 Consent to assessment and collection. I do not -- I
03:01:27 15 do not wish to exercise my appeal rights with the Internal
03:01:30 16 Revenue Service or to contest in the United States Tax Court
03:01:33 17 the findings of this report. Therefore, I give my consent
03:01:38 18 to the immediate assessment and collection of any increase
03:01:42 19 in tax penalties and accept any decrease in tax and
03:01:48 20 penalties shown above, plus additional interest as provided
03:01:51 21 by the law.

03:01:53 22 MR. BEAN: Can we please go back to
03:01:55 23 Exhibit 100?

03:02:04 24 BY MR. BEAN:

03:02:05 25 **Q** Does this account transcript show when

03:02:08 1 Mr. Karasarides' 2009 tax return was filed with the IRS?

03:02:12 2 **A** Yes, it does.

03:02:14 3 **Q** Where does it show that?

03:02:15 4 **A** And I'm going to make sure I'm saying the right thing
03:02:19 5 here. I'm going to circle this amount. The 5-30, I believe
03:02:22 6 that's when we picked up the audit.

03:02:34 7 **Q** Did anything happen on December 28th, 2011?

03:02:37 8 **A** Ah, yes. Thank you. That's where the return was
03:02:39 9 filed.

03:02:39 10 I can see okay but it's a little bit difficult.

03:02:44 11 **Q** And do you see some entries below that where it looks
03:02:47 12 like they're amount figures?

03:02:48 13 **A** You said amount figures?

03:02:50 14 **Q** Yeah. Just some entries right below that 12-28-2011
03:02:54 15 date.

03:02:54 16 **A** Yeah. That would be penalty for failure to file,
03:02:57 17 failure to pay. And the 156,000, that's the tax amount
03:03:00 18 shown on that late return. The 3,700 odd dollars is failure
03:03:07 19 for making estimated payments. That was assessed by the
03:03:11 20 service center because the service center will apply those
03:03:14 21 penalties, not in duplicate to the audit, but they will --
03:03:19 22 they will add those penalties on there for not paying.

03:03:22 23 **Q** Did you eventually close your examination?

03:03:25 24 **A** Yeah. Shortly after.

03:03:28 25 **Q** Is the date of that, is that shown on this document?

03:03:33 1 Down --

03:03:34 2 **A** Repeat the question.

03:03:35 3 **Q** Is the date that you closed your examination, is that
03:03:37 4 reported on this transcript?

03:03:38 5 **A** Yes.

03:03:39 6 **Q** And what date was that?

03:03:41 7 **A** November 19th of 2012.

03:03:44 8 **Q** By looking at this transcript, are you able to tell
03:03:47 9 whether a collections case was opened by the IRS to collect
03:03:51 10 on the tax that had been assessed against Mr. Karasarides
03:03:54 11 for 2009?

03:03:58 12 **A** You're asking if they were --

03:04:00 13 **Q** Are you able to tell by looking at the entries?

03:04:02 14 **A** Yes.

03:04:03 15 **Q** And was a collections case opened?

03:04:04 16 **A** Yes.

03:04:09 17 Down there on 6-20-2014, that's collection giving a
03:04:15 18 notice that they intend to levy in their attempt to collect
03:04:22 19 unpaid tax debt.

03:04:23 20 MR. BEAN: And Carissa, can you go to the next
03:04:26 21 page?

03:04:29 22 BY MR. BEAN:

03:04:30 23 **Q** Does -- are you familiar with what an offer in
03:04:34 24 compromise is?

03:04:34 25 **A** Yes.

03:04:35 1 Q Can you just kind of sum it up for the jury?

03:04:37 2 A So, if a taxpayer owes debt, they -- of course like
03:04:42 3 most things with the IRS, there's an official form. You
03:04:44 4 file a form and you make an offer of some amount of money
03:04:48 5 lower than what you actually do in order to, you know,
03:04:53 6 compromise on how much you would pay them. And, you know,
03:04:56 7 the IRS is trying to collect money, so they might take a
03:05:00 8 reduced amount.

03:05:01 9 So the taxpayer offered in this case -- this is
03:05:04 10 showing he had offered to make a reduced amount of payment
03:05:07 11 to -- an attempt to settle the tax debt.

03:05:09 12 Q And so this document shows he did make an offer in
03:05:13 13 compromise?

03:05:13 14 A Yes.

03:05:13 15 Q Is that --

03:05:14 16 A Yes.

03:05:15 17 Q Was that offer in compromise accepted?

03:05:17 18 A It was rejected.

03:05:19 19 MR. BEAN: Can we please pull up Exhibit 101.

03:05:22 20 THE COURT: Mr. Bean, I think I'll interrupt
03:05:24 21 you at this point. Take our afternoon recess if it's
03:05:27 22 convenient.

03:05:28 23 Okay, folks, we'll take about 15 minutes.

03:05:31 24 Now, you've heard some testimony. You got a lot more
03:05:33 25 to go, so keep an open mind.

03:05:35 1 Refresh yourself, and if we have a smoker or smokers,
03:05:38 2 you have to be accompanied down to the 7th floor where we
03:05:42 3 have a spot. I think it's the 7th floor.

03:05:44 4 All right? And so we'll see you in about 15 or
03:05:47 5 20 minutes.

03:05:47 6 COURTROOM DEPUTY: All rise.

03:41:08 7 (Jury excused from courtroom at 3:05 p.m. till 3:41 p.m.)

03:41:08 8 COURTROOM DEPUTY: All rise for the jury.

03:41:10 9 (Jury returned to courtroom.)

03:41:37 10 COURTROOM DEPUTY: Court is in session.

03:41:38 11 Please be seated.

03:41:42 12 THE COURT: Go ahead, Mr. Bean.

03:41:45 13 MR. BEAN: Could we please pull up Exhibit 100
03:41:49 14 again? And go to the next page.

03:41:53 15 Excuse me, 10- -- 184, please. Sorry.

03:42:04 16 BY MR. BEAN:

03:42:05 17 **Q** Now, Mr. Jordan, I believe before the break you
03:42:07 18 testified about this document; right?

03:42:08 19 **A** Yes.

03:42:09 20 **Q** And you testified about what businesses reported on
03:42:11 21 this document; correct?

03:42:12 22 **A** Yes.

03:42:12 23 **Q** And you testified about what Mr. DiPietro told you
03:42:15 24 about what was on this document?

03:42:17 25 **A** Yes.

03:42:17 1 Q All right. Is anywhere on this document, is there any
03:42:21 2 reference to Mr. Karasarides having ownership of a business
03:42:24 3 called Skilled Shamrock?

03:42:25 4 A No, there's not.

03:42:26 5 Q Is there -- anywhere in this tax return is there a
03:42:29 6 reference to Mr. Karasarides having ownership of a business
03:42:31 7 called Redemption?

03:42:33 8 A None.

03:42:34 9 Q Anywhere on this tax return does it report that
03:42:37 10 Mr. Karasarides earned income from either of those
03:42:39 11 businesses, Skilled Shamrock or Redemption?

03:42:41 12 A No.

03:42:42 13 MR. BEAN: Can we please go to Exhibit 101?

03:42:47 14 And go to the next page.

03:42:50 15 BY MR. BEAN:

03:42:51 16 Q Can you please tell the jury what this is?

03:42:53 17 A Another account transcript. This is for
03:42:57 18 Mr. Karasarides' 2010 tax year.

03:43:00 19 Q And is this for one of the years you assessed?

03:43:02 20 A Yes, it is.

03:43:06 21 MR. BEAN: And if we could just scroll through
03:43:08 22 it quickly.

03:43:10 23 Go back up, please.

03:43:12 24 BY MR. BEAN:

03:43:14 25 Q Could we please -- or, Mr. Jordan, does this tax

03:43:17 1 return show whether Mr. Karasarides made any payments for
03:43:22 2 this tax debt?

03:43:23 3 **A** It would show, but it does not show any payments.

03:43:26 4 **Q** So if he had made any payments, it would show it?

03:43:29 5 **A** Correct.

03:43:33 6 MR. BEAN: Can we please go to Exhibit 103?

03:43:41 7 And go to the next page, please.

03:43:42 8 BY MR. BEAN:

03:43:43 9 **Q** What is this?

03:43:44 10 **A** Mr. Karasarides' 2011 tax return.

03:43:47 11 **Q** Now, in the course of your work with the IRS, are you
03:43:51 12 familiar with tax returns?

03:43:53 13 **A** Yes, that's --

03:43:54 14 **Q** And how to read one?

03:43:55 15 **A** Yes, very much so.

03:43:58 16 **Q** I mean, it's part of your job, recreating --

03:44:02 17 **A** Our job is looking at these, reviewing -- looking to
03:44:06 18 verify their accuracy.

03:44:07 19 **Q** And who is the taxpayer on this tax return?

03:44:09 20 **A** Mr. Karasarides, Christos.

03:44:12 21 MR. BEAN: And could you go to the next page,
03:44:13 22 please? And the page after that.

03:44:15 23 BY MR. BEAN:

03:44:16 24 **Q** Is there -- does this tax return appear to be signed?

03:44:22 25 **A** It does -- it appears to be electronically signed. So

03:44:27 1 it does not show a physical signature like a paper-filed
03:44:30 2 return would show, like the prior return we looked at, 2009,
03:44:35 3 but it's typical that we see these asterisk marks at the
03:44:40 4 signature line down here with a date when a return is
03:44:44 5 electronically filed, which is much more common, you know,
03:44:48 6 rather than 15 years ago or so.

03:44:54 7 MR. BEAN: And can you go to the next page?

03:44:56 8 BY MR. BEAN:

03:44:56 9 **Q** Is there a paid preparer listed on this return?

03:44:59 10 **A** Yes. Mr. DiPietro.

03:45:00 11 MR. BEAN: All right. Could we please go back
03:45:04 12 up?

03:45:04 13 BY MR. BEAN:

03:45:05 14 **Q** How much adjusted gross income does Mr. Karasarides
03:45:07 15 report on this tax return?

03:45:08 16 **A** Roughly 1.4 million.

03:45:10 17 **Q** And does he self-assess taxes on this return?

03:45:14 18 **A** Yes. Roughly half a million.

03:45:16 19 **Q** Okay.

03:45:17 20 **A** In tax.

03:45:23 21 MR. BEAN: Could we please go to I believe
03:45:25 22 it's Page 13 or Page 14.

03:45:33 23 That's perfect.

03:45:34 24 BY MR. BEAN:

03:45:35 25 **Q** What is this?

03:45:37 1 **A** A Schedule C profit and loss business statement for
03:45:42 2 Mr. Karasarides for 2011, so business schedule for this
03:45:45 3 year's tax return.

03:45:46 4 **Q** And what type of business?

03:45:48 5 **A** Vending. Similar to the -- based on the description
03:45:51 6 of the audit years and what was going on in those years,
03:45:54 7 this would be the selling of sweepstakes, what it appears to
03:46:00 8 be.

03:46:00 9 MR. BEAN: And can we go to the next couple
03:46:02 10 pages?

11 BY MR. BEAN:

03:46:10 12 **Q** And what this?

03:46:11 13 **A** A second Schedule C business reporting a gambling
03:46:13 14 business.

03:46:14 15 **Q** And, again, based on your conversations with
03:46:17 16 Mr. DiPietro, you know, on behalf of Mr. Karasarides, can
03:46:20 17 you draw any conclusions about what type of gambling?

03:46:24 18 **A** I would -- it appears to be his -- the professional
03:46:29 19 gambling based on, you know, his prior years' audits that I
03:46:32 20 worked with him on.

03:46:40 21 **Q** And what is this?

03:46:41 22 **A** This is the Schedule E where an individual would
03:46:44 23 report their rental property activity income, deductions for
03:46:49 24 rental properties.

03:46:50 25 MR. BEAN: And can you keep going slowly?

03:46:53 1 Can you stop there?

2 BY MR. BEAN:

03:46:55 3 **Q** What's reported here?

03:46:56 4 **A** So this is information for the Schedule E, which we
03:47:02 5 talked about a little earlier was where an individual would
03:47:04 6 report flow-through activities from partnerships or a
03:47:11 7 sub-corporation. This one shows -- you can see A, B, C, D,
03:47:18 8 E, there are four -- four partnerships and one S corp.
03:47:22 9 listed. Five different businesses where Mr. Karasarides
03:47:27 10 reports being a partner or shareholder in the corresponding
03:47:35 11 business there.

03:47:35 12 **Q** And can you just -- what are the names of those
03:47:37 13 businesses?

03:47:37 14 **A** CM Care Corp; Cyber City Cafe Elyria, LLC; VS2 Cafe,
03:47:45 15 LLC; Broad Street Internet Cafe; Cyber City Port Street -- I
03:47:51 16 think that's Street Lucie, but ST Lucie.

03:47:53 17 **Q** Now, during the course of the examination, did you
03:47:56 18 ever talk with Mr. DiPietro about a business or something
03:47:58 19 called VS2?

03:48:00 20 **A** Yes.

03:48:01 21 **Q** What was your understanding what VS2 was?

03:48:05 22 **A** VS2 would be where Mr. Karasarides was selling
03:48:13 23 software for VS2. He was paid from VS2 for his selling
03:48:20 24 software in Ohio, Florida, the places that we went over
03:48:23 25 earlier.

03:48:23 1 Q So was it explained to you that VS2 was associated
03:48:26 2 with the sweepstakes business?

03:48:27 3 A Yes.

03:48:29 4 Q Is there anywhere else on this tax return where
03:48:31 5 Mr. Karasarides reports income or interest in businesses?

03:48:37 6 A No.

03:48:39 7 Q We can scroll through the pages if you like.

03:48:42 8 A Yeah, if I scroll through, there are two Schedule C's
03:48:46 9 we went over and then just this. No other business.

03:48:49 10 Q Is there anywhere on this return where Mr. Karasarides
03:48:51 11 reports being an owner of a business called Skilled
03:48:53 12 Shamrock?

03:48:53 13 A No, there's not.

03:48:53 14 Q How about -- same question but for a business called
03:48:56 15 Redemption?

03:48:56 16 A There's not.

03:48:57 17 Q How about anywhere on this tax return where he reports
03:48:59 18 receiving income from businesses called Skilled Shamrock or
03:49:03 19 Redemption?

03:49:03 20 A No.

03:49:11 21 MR. BEAN: Can we pull -- please pull up
03:49:17 22 Exhibit 102?

03:49:19 23 Go to the next page.

03:49:22 24 BY MR. BEAN:

03:49:22 25 Q And what is this?

03:49:23 1 **A** This is an account transcript for Mr. Karasarides'
03:49:26 2 2011 tax year from the --

03:49:29 3 MR. BEAN: If we go to the next page. . .

03:49:52 4 BY MR. BEAN:

03:49:52 5 **Q** What date -- does this show the date that that 2011
03:49:55 6 tax return was filed?

03:49:56 7 **A** Yeah. November 19th, 2012, is when this tax return
03:50:00 8 was filed.

03:50:01 9 **Q** All right.

03:50:02 10 **A** Per this transcript.

03:50:04 11 MR. BEAN: Can we please go to Exhibit 105?

03:50:14 12 BY MR. BEAN:

03:50:15 13 **Q** What is this?

03:50:16 14 **A** A 2012 income tax return for Mr. Karasarides.

03:50:20 15 MR. BEAN: And if you could go to the next
03:50:22 16 page. Page after. And the next page.

03:50:30 17 Back one. Sorry.

03:50:31 18 BY MR. BEAN:

03:50:32 19 **Q** Who is listed as the paid preparer?

03:50:34 20 **A** Mr. DiPietro.

03:50:35 21 MR. BEAN: And if you could go back one.

03:50:38 22 BY MR. BEAN:

03:50:39 23 **Q** Do you see where it says third-party designee?

03:50:41 24 **A** Yes.

03:50:42 25 **Q** Who is listed there?

03:50:43 1 **A** Mr. DiPietro.

03:50:45 2 **Q** And what is a third-party designee?

03:50:47 3 **A** That's the taxpayer telling the IRS when they file
03:50:50 4 this return if the IRS has questions, they authorize this
03:50:55 5 person to talk about the return for them.

03:50:59 6 **Q** How much adjusted gross income does Mr. Karasarides
03:51:04 7 report on this return?

03:51:04 8 **A** Just a touch over 1 million.

03:51:07 9 **Q** And how much tax does he assess on this return?

03:51:10 10 **A** Right about 380,000.

03:51:14 11 **Q** Now, have you looked at this return before preparing
03:51:16 12 today?

03:51:16 13 **A** Yes.

03:51:16 14 **Q** And does it include Schedule Cs?

03:51:22 15 **A** No, it does not.

03:51:23 16 **Q** It doesn't include Schedule Cs?

03:51:29 17 **A** Wait, hold on a second. Let me. . .

03:51:29 18 MR. BEAN: Can we go to Page 21?

03:51:27 19 **A** Can I scroll up to the page above that? On the first
03:51:37 20 page it would have showed it.

03:51:38 21 Yes, okay. Yes, so this does show a Schedule C for
03:51:41 22 vending, similar to the other prior returns we've looked at.

03:51:44 23 **Q** And it's your understanding that this would be the
03:51:46 24 same business?

03:51:46 25 **A** Yes, this would be the vending business, selling.

03:51:50 1 MR. BEAN: If we could go three for pages.

03:51:54 2 BY MR. BEAN:

03:51:55 3 Q And what's reported here?

03:51:57 4 A The gambling business.

03:51:58 5 Q And do you understand -- your understanding, what type
03:52:02 6 of gambling?

03:52:02 7 A Professional gambling.

03:52:05 8 Q And I think you've testified before what you
03:52:10 9 understood professional gambling was, but can you just go
03:52:12 10 over it again briefly?

03:52:13 11 A Yeah. Professional gambling is when somebody does
03:52:21 12 gambling --

03:52:21 13 Q Your understanding here. Your understanding here of
03:52:25 14 professional gambling.

03:52:25 15 A Oh, of what is done. Traveling to different places,
03:52:28 16 typically casinos is -- all the information I saw was from
03:52:31 17 casinos or similar resorts where someone gambles.

03:52:34 18 Q Like legal casinos?

03:52:35 19 A Yes.

03:52:36 20 Q Like the Jack next door?

03:52:37 21 A Yeah. Like Mountaineer, Las Vegas, Atlantic City are
03:52:43 22 I think three or the more common ones for this circumstance.

03:52:45 23 MR. BEAN: And can you go down five pages?

03:52:53 24 BY MR. BEAN:

03:52:54 25 Q What's this?

03:52:54 1 **A** This is a Schedule E for reporting rental income and
03:52:59 2 expenses.

03:52:59 3 MR. BEAN: And can you keep going please.

03:53:01 4 Yep. Stop there.

03:53:02 5 Oh, back one.

03:53:04 6 BY MR. BEAN:

03:53:05 7 **Q** What's reported here?

03:53:05 8 **A** So similar to one of the other returns we looked at,
03:53:08 9 this is where Mr. Karasarides reports flow-through income
03:53:14 10 from three partnerships, CM Care Corp., VS2 Cafe, LLC, and
03:53:20 11 Broad Street Internet Cafe.

03:53:23 12 **Q** Are these some of the same businesses that was just on
03:53:27 13 the return we just looked at?

03:53:28 14 **A** Yes.

03:53:30 15 **Q** Are there any other -- does Mr. Karasarides report an
03:53:33 16 interest in or income from any other businesses on this
03:53:37 17 return?

03:53:37 18 **A** No.

03:53:37 19 **Q** How about a business called Skilled Shamrock?

03:53:39 20 **A** There's not.

03:53:40 21 **Q** How about a business called Redemption?

03:53:42 22 **A** There is not.

03:53:42 23 **Q** All right.

03:53:44 24 MR. BEAN: Can we please go to Exhibit 107?

03:53:51 25 BY MR. BEAN:

03:53:52 1 Q What is this?

03:53:53 2 A Mr. Karasarides' 2013 tax return.

03:53:56 3 MR. BEAN: And can we go down a couple pages?

03:54:03 4 Yep.

03:54:04 5 Or, excuse me, one more. Sorry.

03:54:07 6 BY MR. BEAN:

03:54:08 7 Q Is there a paid preparer listed?

03:54:10 8 A Yeah. Mr. DiPietro.

03:54:14 9 MR. BEAN: And can we go back up two pages?

03:54:20 10 Sorry. Keep going.

03:54:23 11 Thank you.

03:54:27 12 Oh, wait. Sorry. Two more down.

03:54:29 13 BY MR. BEAN:

03:54:30 14 Q Does Mr. Karasarides report adjusted gross income on
03:54:32 15 this report and, if so, how much?

03:54:34 16 A Yes. Right around 280,000.

03:54:37 17 Q And does he self-assess tax?

03:54:39 18 A Yes. Right around 98,000.

03:54:41 19 MR. BEAN: Can we go to Page 23?

03:54:50 20 Sorry. One more.

03:54:53 21 BY MR. BEAN:

03:54:53 22 Q What is this?

03:54:54 23 A The Schedule C reporting self-employed business income
03:55:00 24 for vending, consistent with selling sweepstakes software
03:55:11 25 from the returns that were audited.

03:55:12 1 MR. BEAN: And can we please go down three
03:55:14 2 pages.

03:55:15 3 BY MR. BEAN:

03:55:15 4 **Q** And what is this?

03:55:15 5 **A** A Schedule C profit or loss from Mr. Karasarides
03:55:19 6 reporting a gambling business, appearing to be similar to
03:55:23 7 the professional gambling from the years that I audited.

03:55:25 8 **Q** All right.

03:55:27 9 MR. BEAN: Carissa, can you keep going pages
03:55:28 10 and I'll tell you when to stop? Yep, right there.

03:55:35 11 BY MR. BEAN:

03:55:35 12 **Q** So what's reported here?

03:55:36 13 **A** So this is the schedule -- a page of the Schedule E
03:55:40 14 reporting partnership -- a partnership, Broad Street
03:55:45 15 Internet Cafe.

03:55:45 16 **Q** Is there anywhere on this return where Mr. Karasarides
03:55:49 17 reports ownership of or income from a business called
03:55:51 18 Skilled Shamrock?

03:55:52 19 **A** No.

03:55:52 20 **Q** How about Redemption?

03:55:53 21 **A** There's not.

03:55:56 22 MR. BEAN: Can we go to Exhibit 109, please?

03:56:05 23 BY MR. BEAN:

03:56:05 24 **Q** What is this?

03:56:06 25 **A** Mr. Karasarides' 2014 income tax return.

03:56:08 1 MR. BEAN: And if we could go down two pages,
03:56:12 2 I think. Yep.

3 BY MR. BEAN:

03:56:14 4 **Q** Who is listed as the paid preparer?

03:56:15 5 **A** Mr. DiPietro.

03:56:16 6 **Q** And we haven't looked at this before. I just want to
03:56:19 7 point it out now.

03:56:20 8 Do you see where it says "sign here" right up at the
03:56:22 9 top?

03:56:23 10 **A** Yes.

03:56:23 11 **Q** And is there some very, at least on my screen, pretty
03:56:27 12 small text to the right of the sign here?

03:56:29 13 **A** Yes.

03:56:29 14 **Q** Are you able to read that?

03:56:31 15 **A** I think so. I can start out. But under the penalties
03:56:35 16 of perjury, I declare that I have examined this return --
03:56:40 17 oh, thank you -- and accompanying schedules and statements,
03:56:43 18 and to the best of my knowledge and belief they are true,
03:56:45 19 correct, and complete.

03:56:47 20 Declaration of preparer other than the taxpayer is
03:56:52 21 based on all information of which preparer has any
03:56:55 22 knowledge.

03:56:56 23 **Q** Is this a standard language that's printed on tax
03:56:59 24 returns?

03:56:59 25 **A** Yes. It's -- yes. Every tax return is -- they

03:57:03 1 require this.

03:57:04 2 MR. BEAN: Can we go up a page?

03:57:07 3 BY MR. BEAN:

03:57:08 4 **Q** Does Mr. Karasarides report adjusted gross income on
03:57:10 5 this return?

03:57:10 6 **A** Yes, right around \$380,000.

03:57:15 7 **Q** And does he self-assess tax?

03:57:16 8 **A** Yes, right around \$136,000.

03:57:19 9 MR. BEAN: Can we go to Page 20?

03:57:25 10 One more.

03:57:29 11 So then back two, I think. Sorry.

03:57:31 12 Yep. Sorry. More.

03:57:33 13 BY MR. BEAN:

03:57:33 14 **Q** All right. What is this?

03:57:34 15 **A** Schedule C for Mr. Karasarides for business of
03:57:39 16 professional gambling per my audit that's consistent with
03:57:44 17 those returns that I audited.

03:57:45 18 **Q** Now, are there any other Schedule Cs included in this
03:57:50 19 tax return?

03:57:50 20 **A** I can't see here, but I don't believe so.

03:57:52 21 **Q** Could we --

03:57:52 22 **A** Yeah.

03:57:53 23 **Q** Do you want to scroll?

03:57:54 24 **A** Yeah, just scroll through just to -- but there's not.

03:57:57 25 MR. BEAN: Scroll up and then down.

03:57:59 1 THE WITNESS: Yep.

03:58:10 2 BY MR. BEAN:

03:58:11 3 **Q** Do you see any Schedule Cs?

03:58:12 4 **A** That was the last page, yeah, correct. No other
03:58:16 5 Schedule C business reportings.

03:58:18 6 MR. BEAN: If we could scroll back down, I
03:58:20 7 think it's Page 23.

03:58:28 8 We'll go one more.

03:58:30 9 One more.

03:58:32 10 Sorry, we'll go back a couple. The numbers changed.

03:58:35 11 A few more.

03:58:36 12 BY MR. BEAN:

03:58:37 13 **Q** What is this?

03:58:38 14 **A** Mr. Karasarides' Schedule E where -- you know, rental
03:58:44 15 property reporting for 2014.

03:58:46 16 MR. BEAN: And if you could go back to the
03:58:47 17 next page.

03:58:52 18 BY MR. BEAN:

03:58:53 19 **Q** Does he report any partnerships here?

03:58:56 20 **A** Yeah. No partnership or S corporation.

03:59:00 21 **Q** Is there anywhere on this return where Mr. Karasarides
03:59:03 22 reports income or ownership of a business called Skilled
03:59:06 23 Shamrock?

03:59:06 24 **A** No, there's not.

03:59:07 25 **Q** How about a business called Redemption?

03:59:09 1 **A** There is not.

03:59:10 2 **Q** All right.

03:59:10 3 MR. BEAN: Can we please go to Exhibit 111.

03:59:19 4 BY MR. BEAN:

03:59:19 5 **Q** What is this?

03:59:20 6 **A** Mr. Karasarides' 2015 income tax return.

03:59:24 7 MR. BEAN: And if we could go to the next
03:59:25 8 couple pages.

03:59:28 9 One more. One more.

03:59:30 10 BY MR. BEAN:

03:59:31 11 **Q** Who is listed as the paid preparer?

03:59:33 12 **A** Mr. DiPietro.

03:59:35 13 **Q** And just to give us a sense of when we are, is there a
03:59:38 14 date listed next to these names and the "sign here" and the
03:59:43 15 "paid preparer use only"?

03:59:44 16 **A** Yes, the same date for both: January 27th of 2016.

03:59:48 17 MR. BEAN: All right. If we could go back up.
03:59:50 18 Right there.

03:59:51 19 BY MR. BEAN:

03:59:52 20 **Q** Does he report adjusted gross income on this return?

03:59:54 21 **A** It's a negative adjusted gross income.

03:59:57 22 **Q** Does he report owing any tax here?

03:59:59 23 **A** He reports owing 0 tax.

04:00:02 24 **Q** How -- does he request a refund?

04:00:04 25 **A** Yes.

04:00:05 1 Q How much of a refund?

04:00:06 2 A Right around \$6,000.

04:00:09 3 Q All right.

04:00:11 4 MR. BEAN: Carissa, if you could indulge me,
04:00:14 5 can we just scroll down, just by page.

04:00:19 6 Yeah. Yeah. Each page. I just want to show them
04:00:22 7 all.

04:00:25 8 BY MR. BEAN:

04:00:26 9 Q Can you stop us when you see there's a Schedule C or a
04:00:29 10 Schedule E, please.

04:00:30 11 A Yes.

04:00:40 12 There's a Schedule E.

04:00:42 13 Q And what's reported there?

04:00:43 14 A That's rental property transactions.

04:00:45 15 MR. BEAN: If we can go to the next page.

04:00:48 16 The page after.

04:00:50 17 The page after.

04:00:51 18 THE WITNESS: And that page you just passed
04:00:53 19 was the second page of the Schedule E where you would report
04:00:57 20 flow-through income, partnerships, S corporations.

04:01:00 21 MR. BEAN: Can we go back to it?

04:01:02 22 BY MR. BEAN:

04:01:02 23 Q And are there any there?

04:01:03 24 A There are none.

04:01:04 25 Q All right. So is there anywhere on this return where

04:01:08 1 Mr. Karasarides reports ownership of income from a business
04:01:09 2 called Skilled Shamrock?

04:01:10 3 **A** There is not.

04:01:10 4 **Q** How about Redemption?

04:01:12 5 **A** There is not.

04:01:12 6 **Q** All right.

04:01:13 7 MR. BEAN: Can we please go to Exhibit 113,
04:01:16 8 please.

04:01:19 9 BY MR. BEAN:

04:01:20 10 **Q** What is this?

04:01:20 11 **A** Mr. Karasarides' 2016 income tax return.

04:01:25 12 MR. BEAN: And if we could go down a couple
04:01:27 13 pages.

04:01:29 14 More.

04:01:30 15 BY MR. BEAN:

04:01:30 16 **Q** Who is listed as the paid preparer?

04:01:32 17 **A** Mr. DiPietro.

04:01:33 18 **Q** And again, can you just tell -- what's the dates
04:01:36 19 that's listed there next to those names?

04:01:37 20 **A** March 28th, 2017, is the date by both names.

04:01:42 21 MR. BEAN: And if we go back up.

04:01:44 22 BY MR. BEAN:

04:01:45 23 **Q** Does he report adjusted gross income on this return?

04:01:48 24 **A** Yes. Right around \$70,000.

04:01:50 25 **Q** And does he report owing tax?

04:01:54 1 **A** Yes. Right around \$7,000.

04:01:57 2 **Q** Does he claim a refund?

04:01:59 3 **A** Yes. Right around \$900.

04:02:01 4 **Q** If he owed tax, how could he get a refund?

04:02:08 5 **A** So, on this tax return he -- there's a W-2 reported
04:02:12 6 for an employee as -- so he's being -- the W-2 is issued to
04:02:17 7 a worker who is an employee, and the employer would withhold
04:02:23 8 tax from the worker. So he has credit for that withholding.

04:02:32 9 MR. BEAN: Can we go to Page 27?

04:02:35 10 One more.

04:02:37 11 Keep going.

04:02:39 12 All right. Then can we go up.

04:02:42 13 THE WITNESS: Yeah. These prints are often
04:02:43 14 out of order.

04:02:44 15 BY MR. BEAN:

04:02:45 16 **Q** What is this?

04:02:45 17 **A** This is the W-2 information to Mr. Karasarides for
04:02:50 18 2016 issued from Enterprise Internet Solutions.

04:02:55 19 **Q** Is there anywhere on this return -- are there any
04:02:59 20 Schedule Cs?

04:03:00 21 **A** There are not.

04:03:00 22 **Q** How about any partnerships or other businesses
04:03:07 23 reported anywhere?

04:03:07 24 **A** There are not.

04:03:08 25 **Q** Does a business called Skilled Shamrock show up

04:03:11 1 anywhere on here?

04:03:11 2 **A** No.

04:03:12 3 **Q** How about a business called Redemption?

04:03:14 4 **A** No.

04:03:14 5 **Q** And income from either of those?

04:03:15 6 **A** No, there's not.

04:03:20 7 MR. BEAN: Can we please pull up Exhibit 114.

04:03:29 8 BY MR. BEAN:

04:03:30 9 **Q** Can you please tell the jury what is this?

04:03:31 10 **A** Mr. Karasarides' tax account transcript for 2017.

04:03:36 11 MR. BEAN: And if we could go to the next
04:03:38 12 page.

04:03:39 13 BY MR. BEAN:

04:03:40 14 **Q** Was a tax return filed by Mr. Karasarides for this tax
04:03:42 15 year?

04:03:43 16 **A** There was not a return filed.

04:03:44 17 **Q** Was anything filed?

04:03:46 18 **A** A request for extending the time to file a return.

04:03:52 19 **Q** How much time does an extension give?

04:03:54 20 **A** An additional 6 months.

04:03:57 21 **Q** So it -- is it fair to say that the extension -- he's
04:04:01 22 no longer under an extension?

04:04:03 23 **A** Yes, correct. Yeah. He's -- the extension has
04:04:06 24 expired. And it's extension to file, not extension to pay.

04:04:10 25 MR. BEAN: Can we go to Exhibit 115, please?

04:04:16 1 BY MR. BEAN:

04:04:16 2 Q What is this?

04:04:18 3 A That's the form, it's 4868 you can see there, but
04:04:22 4 that's what Mr. Karasarides filed to request an extension of
04:04:26 5 time to file.

04:04:29 6 Q On an extension request, is a taxpayer required to
04:04:33 7 report an estimated tax liability?

04:04:35 8 A Yes.

04:04:37 9 Q And what did Mr. Karasarides state was his estimated
04:04:42 10 tax liability?

04:04:42 11 A 0.

04:04:44 12 MR. BEAN: Can we go to Exhibit 116, please?

04:04:50 13 BY MR. BEAN:

04:04:51 14 Q Now, what is this?

04:04:51 15 A Mr. Karasarides' tax account transcript for 2018.

04:04:57 16 MR. BEAN: If we can go to the next page.

04:05:02 17 BY MR. BEAN:

04:05:02 18 Q Does this transcript say whether Mr. Karasarides filed
04:05:05 19 a tax return for 2018?

04:05:07 20 A It shows that there is no return filed.

04:05:10 21 Q Did he file an extension?

04:05:12 22 A Yes. There was a -- similar to the prior year, he
04:05:16 23 filed for an extension to file -- of time to file, which
04:05:19 24 extension again, 6 months, which has passed.

04:05:22 25 MR. BEAN: Can we go to Exhibit 117, please.

04:05:28 1 The blowing it up was great.

04:05:32 2 Thank you.

04:05:33 3 BY MR. BEAN:

04:05:33 4 **Q** What are we looking at here?

04:05:34 5 **A** Similar to the prior year, this is a request to extend
04:05:37 6 time for filing his 2018 income tax return.

04:05:42 7 **Q** And again, does he estimate any total tax liability
04:05:45 8 for 2018?

04:05:46 9 **A** 0.

04:05:50 10 **Q** Now, I think earlier you testified about -- that
04:05:53 11 Mr. Karasarides had a tax debt. Can you estimate -- you
04:05:57 12 know, have you looked through these records?

04:05:59 13 **A** Yes, I have.

04:06:00 14 **Q** Can you estimate how much Karasarides' tax debt was on
04:06:04 15 all the years combined?

04:06:05 16 **A** Right up to 2. -- it's a little less than 2.8 million.

04:06:11 17 MR. BEAN: Thank you.

04:06:12 18 THE WITNESS: Yes. You're welcome.

04:06:20 19 THE COURT: Mr. Fedor, do you have any
04:06:21 20 questions?

04:06:23 21 MR. FEDOR: I got a couple.

04:06:25 22 THE COURT: Fire away.

04:06:26 23 MR. FEDOR: Thank you, Judge.

04:06:55 24 Ladies and gentlemen of the jury, Robert Fedor again
04:06:58 25 on behalf of Mr. DiPietro, the CPA, defendant herein. Thank

04:07:03 1 you for sticking through the tax discussions here.

2 - - - - -

3 CROSS-EXAMINATION OF GARRET JORDAN

04:07:07 4 BY MR. FEDOR:

04:07:07 5 **Q** Mr. Jordan, pleasure to see you.

04:07:09 6 **A** Likewise.

04:07:10 7 **Q** I'm not going to go too far into the weeds of each and
04:07:13 8 every tax return as Mr. Bean did, but I did want to cover
04:07:16 9 some issues with you.

04:07:18 10 And what's your title again with the Internal Revenue
04:07:22 11 Service?

04:07:22 12 **A** Currently I'm a revenue agent tax -- income tax
04:07:26 13 specialist -- sorry. Employment tax specialist.

04:07:29 14 **Q** And how long have you been a revenue agent?

04:07:32 15 **A** Just short of 15 years.

04:07:34 16 **Q** Okay. Have you ever been a revenue officer?

04:07:37 17 **A** I have not.

04:07:37 18 **Q** And what is a revenue officer, tell the jury?

04:07:40 19 **A** So, when a taxpayer owes a tax debt, the revenue
04:07:44 20 officer reaches out and communicates with the taxpayer in
04:07:48 21 attempt to collect a tax debt.

04:07:49 22 **Q** Would that be akin to a collection agent?

04:07:52 23 **A** Yes.

04:07:52 24 **Q** Okay. And so there's a difference between what you do
04:07:55 25 as a revenue agent, i.e., an auditor, versus a collection

04:08:01 1 agent revenue officer; correct?

04:08:02 2 **A** Yes. There are some things that cross, but yes,
04:08:05 3 definitely different functions for sure.

04:08:07 4 **Q** And have you ever been a revenue officer or a
04:08:09 5 collection agent?

04:08:09 6 **A** No.

04:08:25 7 MR. FEDOR: Carissa, if you could turn to
04:08:27 8 Exhibit 183.

04:08:27 9 Thanks very much.

04:08:32 10 BY MR. FEDOR:

04:08:32 11 **Q** I just want to spend a few minutes going over the
04:08:34 12 activity record.

04:08:35 13 And tell the jury again, what is your role -- when
04:08:37 14 you're examining a tax return, what does this document
04:08:40 15 reveal? What is the action that you're taking?

04:08:42 16 **A** This is to summarize the actions that I took,
04:08:45 17 communications, what work papers I worked on.

04:08:50 18 **Q** Is it fair to say you do that each time you spend time
04:08:53 19 reviewing this return?

04:08:55 20 **A** Yes.

04:08:56 21 **Q** Okay. And to summarize, the 2009, 2010 tax years, was
04:09:00 22 that something called an SFR?

04:09:02 23 **A** Yes.

04:09:03 24 **Q** And what is an SFR, can you tell the jury?

04:09:05 25 **A** Yeah. Substitute for return.

04:09:07 1 So an SFR is when there's not a return filed by the
04:09:10 2 taxpayer, the IRS will file one for them if they have the
04:09:15 3 information to support the information on a tax return.

04:09:18 4 **Q** And that, in effect -- I'm sorry, I didn't mean to
04:09:21 5 interrupt.

04:09:22 6 **A** Yeah. Typically income. Sometimes deductions, but
04:09:26 7 it's typically the IRS will report an income on the SFR.

04:09:31 8 **Q** So at some point you were assigned this case because
04:09:34 9 Mr. Karasarides hadn't filed his 2009 tax return; correct?

04:09:37 10 **A** Correct.

04:09:37 11 **Q** Okay. And what was the result of that SFR or
04:09:40 12 substitute for return, what were your findings?

04:09:42 13 **A** For 2009?

04:09:44 14 **Q** Correct.

04:09:45 15 **A** Well, he -- so I make a distinction because he -- it
04:09:48 16 was an SFR until we got the delinquent return. So his
04:09:52 17 delinquent return assessed 156,000 of tax. And then the
04:10:00 18 examination -- so, then the examination assessed an
04:10:07 19 additional, I think was -- I'd have to look again, but I
04:10:10 20 think it was \$46,000 in tax.

04:10:13 21 So the report for 2009 is -- yeah, so it's based off
04:10:24 22 of his tax return. Hopefully I answered that right.

04:10:25 23 **Q** Okay. And then at some point 2010 rolled in for the
04:10:28 24 same reasoning; correct?

04:10:29 25 **A** Yes.

04:10:30 1 Q And how did that go about -- or how did that come
04:10:34 2 about?

04:10:34 3 A Because there was -- we had information showing that
04:10:37 4 he had income that triggers a requirement to file a tax
04:10:42 5 return, and there was not a tax return filed.

04:10:44 6 Q Okay. And Mr. DiPietro, sitting here, was a power of
04:10:48 7 attorney in that regard; correct?

04:10:50 8 A Yes.

04:10:50 9 Q For both the 2009 and 2010 tax years?

04:10:53 10 A Yes.

04:10:53 11 Q Okay. And did you work with Mr. DiPietro to work
04:10:56 12 through those income and expense issues?

04:10:58 13 A Yes. Yes.

04:10:59 14 Q Okay. Did he work through that cooperatively with
04:11:02 15 Mr. DiPietro?

04:11:04 16 A Did Mr. DiPietro work cooperatively with me?

04:11:07 17 Q Correct.

04:11:08 18 A Yes.

04:11:09 19 Q Okay. And, in fact, in your activity record, in
04:11:14 20 August of 2012, you closed both of those cases as agreed;
04:11:17 21 correct?

04:11:17 22 A Yes.

04:11:18 23 Q And what does that mean for purposes of the jurors and
04:11:21 24 so they understand what agreed closing means?

04:11:23 25 A Yep. So the IRS makes a tax assessment, puts it on a

04:11:28 1 report, explains it to the taxpayer. And if they agree to
04:11:32 2 that tax assessment, they sign and return that report saying
04:11:34 3 they agree for those amounts to be assessed.

04:11:38 4 **Q** And that, in fact, is what happened; correct?

04:11:41 5 **A** Yes.

04:11:41 6 **Q** Okay. And were you done reviewing Mr. Karasarides'
04:11:44 7 tax returns after that was closed out?

04:11:46 8 **A** Yeah. I -- with -- I'd have to look through the exact
04:11:50 9 time, but it's usually a couple weeks after the signature is
04:11:53 10 received that it's closed from examination, from my
04:11:58 11 examination.

04:11:58 12 **Q** Right. And so the jurors understand, you were done
04:12:00 13 with Mr. Karasarides at that point; correct?

04:12:02 14 **A** Correct.

04:12:03 15 **Q** Thank you.

04:12:07 16 MR. FEDOR: If we could turn to Exhibit 184.

04:12:15 17 BY MR. FEDOR:

04:12:15 18 **Q** I'm showing you what's been marked as Government
04:12:18 19 Exhibit 184 again.

04:12:21 20 If you could turn to Page 4 of that exhibit.

04:12:23 21 Thank you, Carissa.

22 BY MR. FEDOR:

04:12:26 23 **Q** And what is this schedule again?

04:12:27 24 **A** Schedule C profit or loss from business for vending
04:12:32 25 for Mr. Karasarides.

04:12:33 1 Q And so Schedule C is filed in what circumstance?

04:12:38 2 A When an individual has a business. So this is a way
04:12:40 3 of an individual to report their business activity on their
04:12:44 4 personal tax return.

04:12:45 5 Q And you could have an informal partnership, you could
04:12:49 6 have an informal business. It's any activity that results
04:12:51 7 in self-employment income; is that correct?

04:12:53 8 A In self-employment income.

04:12:54 9 Q Correct.

04:12:55 10 A Yes.

04:12:55 11 Q Okay. And that's what this Schedule C shows; correct?

04:12:58 12 A Yes.

04:13:00 13 Q And so I know on Mr. Bean's examination of you, you
04:13:04 14 discussed vending.

04:13:05 15 A Yes.

04:13:06 16 Q Okay. And for the 2009 year, did you investigate what
04:13:10 17 the vending activity was on this Schedule C?

04:13:13 18 A Yes.

04:13:13 19 Q Okay. And what was your understanding of that
04:13:15 20 activity?

04:13:17 21 A That Mr. Karasarides sold sweepstakes and received
04:13:23 22 commissions for selling sweep -- for selling the sweepstakes
04:13:27 23 software. If I didn't say that correctly, not for selling
04:13:30 24 sweepstakes, for selling the sweepstakes software.

04:13:33 25 Q Okay. And how did you come about that understanding?

04:13:35 1 **A** Interview.

04:13:36 2 **Q** Interview of him?

04:13:38 3 **A** I believe it was the same day, Mr. DiPietro and

04:13:42 4 Mr. Karasarides.

04:13:43 5 **Q** Okay.

04:13:43 6 **A** So that would have been -- I'd have to look at the

04:13:47 7 date, but I think it might have been August.

04:13:49 8 **Q** Did Mr. -- I'm sorry.

04:13:50 9 **A** Yeah. Go ahead.

04:13:51 10 **Q** Did Mr. Karasarides receive any 1099s for that income?

04:13:54 11 **A** Yes.

04:13:56 12 **Q** He did?

04:13:58 13 **A** Yes.

04:13:59 14 **Q** And did it tie to the Schedule C gross receipts?

04:14:03 15 **A** No. Not exactly, no.

04:14:05 16 **Q** Okay.

04:14:06 17 **A** He had more income than was reported to him on the

04:14:09 18 1099 forms.

04:14:10 19 **Q** Okay. And do you know what -- just turning on the

04:14:15 20 right side next to vending, there's something called a code,

04:14:18 21 a SIC code as it's known, a standard industry code; correct?

04:14:22 22 **A** Yes.

04:14:23 23 **Q** And it's code 713100; correct?

04:14:27 24 **A** Yes.

04:14:27 25 **Q** Do you know what that is?

04:14:28 1 **A** No, I don't. I had known it at the time.

04:14:28 2 **Q** Did you ever investigate what it is?

04:14:29 3 **A** Yeah, we would have looked that up, and we put that on
04:14:33 4 our work papers, but I --

04:14:34 5 **Q** If I told you it was for casinos, gambling, and
04:14:37 6 gambling businesses, would that surprise you?

04:14:38 7 **A** No.

04:14:38 8 **Q** Okay. So could it have been, perhaps that was the
04:14:41 9 internet cafes that were being reported?

04:14:45 10 **A** It could have been.

04:14:46 11 **Q** Thank you.

04:14:47 12 And it's \$431,000; correct?

04:14:51 13 **A** Yes.

04:14:51 14 **Q** Substantial amount of money.

04:14:59 15 Can we go to exhibit -- Government Exhibit 201,
04:15:02 16 please?

04:15:07 17 And just reviewing, again, for purposes of -- so the
04:15:13 18 jurors understand this fully, these are your findings for
04:15:15 19 the 2009, 2010 tax years; correct?

04:15:18 20 **A** Yes.

04:15:19 21 **Q** And these findings were agreed to, and you came
04:15:21 22 together with Mr. DiPietro to come to this conclusion;
04:15:23 23 correct?

04:15:24 24 **A** Yes.

04:15:29 25 **Q** And it includes additional gross receipts from

04:15:31 1 vending; is that correct?

04:15:32 2 **A** Yes.

04:15:36 3 **Q** It also includes other income from Schedule E and
04:15:39 4 other miscellaneous third-party reporting; correct?

04:15:43 5 **A** Yes.

04:15:44 6 **Q** And just backing up for a second so the jurors
04:15:47 7 understand, again, what kind of -- I think it's called IRP
04:15:51 8 documentation that you receive as part of the findings of
04:15:54 9 these third-party payors and how you determine what should
04:15:57 10 go into this 4549 report when the exam is being conducted,
04:16:01 11 what should be reviewed and what should be pulled from the
04:16:03 12 IRS. Can you explain to the jurors how you pull that
04:16:06 13 information, what you actually review?

04:16:08 14 **A** Yeah. So, for several different types of documents
04:16:12 15 but reference to these, the -- when a -- typically a
04:16:16 16 business -- when they file maybe someone's W-2, they would
04:16:20 17 have that information available on a document retrieval
04:16:25 18 system for the IRS. So if there's a 1099 or a W-2 or a
04:16:32 19 1098 -- you might be more familiar with a 1098 -- any of these
04:16:36 20 forms, so there's a summary that -- it's a program that
04:16:39 21 several persons in the IRS can retrieve document information
04:16:42 22 from. So W-2G, 1099, yeah, those would be the primary ones
04:16:47 23 here.

04:16:47 24 **Q** So when you're preparing a return or preparing a
04:16:51 25 substitute for return because one is not on file, you go and

04:16:54 1 you pull that third-party information; is that correct?

04:16:56 2 **A** Yes.

04:16:57 3 **Q** And that's a matter of course? You're --

04:17:00 4 **A** Right.

04:17:00 5 **Q** It's your policy you do so?

04:17:01 6 **A** Yeah. Yeah.

04:17:02 7 **Q** And that would include any W-2 income, including

04:17:06 8 withholding taxes, 1099s for dividend income, interest

04:17:10 9 income, any capital gains transactions, any gambling

04:17:11 10 transactions, W-2G's, are all reported to the IRS, as well

04:17:15 11 as Schedule E K-1s would be on that information, I believe.

04:17:19 12 **A** Yes. Yeah. If they're filed. If they're filed and
04:17:21 13 they show.

04:17:22 14 **Q** If they're filed?

04:17:23 15 **A** Yeah.

04:17:23 16 **Q** All the things that are on file that you utilized and

04:17:26 17 you worked with Mr. DiPietro on to come to what you both

04:17:30 18 believed to an accurate tax return; correct?

04:17:32 19 **A** Yeah, that was part of -- yes, that's part of the
04:17:34 20 information used for that.

04:17:36 21 **Q** Thank you.

04:17:36 22 And I think you referenced in your direct examination
04:17:44 23 that there was a discussion you had either with Mr. DiPietro
04:17:49 24 and/or your manager about the professional gambling status
04:17:55 25 of Mr. Karasarides; is that correct?

04:17:56 1 **A** Yes.

04:17:56 2 **Q** And what was that discussion if you recall? I know it
04:17:59 3 was 11 or 12 years ago.

04:18:00 4 **A** Yeah, so there will be some sort of paraphrasing
04:18:04 5 because of that, but, so a manager of an audit group has
04:18:07 6 discretion to -- we kind of would use the term, you know,
04:18:11 7 make a business decision, hey, does it -- does it benefit --
04:18:15 8 what's the benefit versus cost of taking this position. So,
04:18:20 9 you know, I use the term when Mr. Bean was talking or
04:18:23 10 interviewing me here was -- now, my -- my thoughts just left
04:18:29 11 me for a moment.

04:18:31 12 **Q** The professional -- if I can refresh your
04:18:37 13 recollection.

04:18:37 14 **A** Thank you.

04:18:38 15 **Q** The discussions that you may have had with your
04:18:40 16 general manager and/or with Mr. DiPietro about
04:18:43 17 Mr. Karasarides' professional gambling status.

04:18:44 18 **A** Oh, yeah.

04:18:45 19 So -- yeah. So he would inform of, like, hey, what's
04:18:48 20 the cost or benefit of the IRS fighting or debating if he's
04:18:54 21 a professional gambler or not. And we just conceded, just
04:18:59 22 said, hey, you know, it's not worth the IRS's time or effort
04:19:04 23 to pursue verifying if he is or is not a professional
04:19:08 24 gambler.

04:19:09 25 **Q** So was there any finding made that he actually was?

04:19:11 1 **A** We didn't make -- we conceded even pursuing if it was
04:19:15 2 or was not. Like -- so that's part of the concession is,
04:19:20 3 like, well, we didn't pursue because it was not -- my
04:19:24 4 manager and I -- well, primarily manager would give you
04:19:26 5 direction and say, hey, it's not -- we're not going to
04:19:29 6 pursue making a determination on this.

04:19:33 7 **Q** Thank you.

04:19:34 8 **A** You're welcome.

04:19:39 9 MR. FEDOR: Can I have Exhibit 100, please?

04:19:46 10 BY MR. FEDOR:

04:19:46 11 **Q** Just switching back to the transcripts for a second,
04:19:51 12 please.

04:19:52 13 And you previously identified this as a 2010 account
04:19:55 14 transcript; correct?

04:19:56 15 **A** 2009, but yes.

04:20:00 16 **Q** I'm sorry, I'm on 101. 2009.

04:20:07 17 And I don't want to get too far into the weeds, but if
04:20:10 18 you could tell the jurors, you know, what is this document?
04:20:12 19 What does this tell you?

04:20:13 20 **A** This tells you several transactions that happened on a
04:20:17 21 taxpayer's account for, this tax year is 2009. Usually if a
04:20:21 22 return is filed, if there's tax due, payments made on tax,
04:20:28 23 certain letters that are sent to the taxpayer, request by
04:20:31 24 the taxpayer show up on this account.

04:20:34 25 **Q** Okay. And, in fact, down towards the bottom of that

04:20:37 1 first page, adjusted gross income of almost \$550,000;

04:20:43 2 correct?

04:20:43 3 **A** Yes.

04:20:44 4 **Q** Okay. And is there any balance due on this for this

04:20:47 5 tax year, '09?

04:20:48 6 **A** This shows an account balance of 0.

7 MR. BEAN: Objection. Not clear, the
04:20:53 8 question.

04:20:53 9 THE COURT: Overruled.

04:20:56 10 MR. BEAN: What time frame?

04:20:57 11 MR. FEDOR: On Exhibit 100. What does
04:21:00 12 Exhibit 100 show.

04:21:01 13 MR. BEAN: Are you talking about today?

04:21:02 14 THE COURT: No, the objection is overruled.

04:21:03 15 Go ahead.

04:21:04 16 BY MR. FEDOR:

04:21:05 17 **Q** Mr. Jordan, again, what's the balance due to the IRS
04:21:07 18 on Exhibit 100?

04:21:09 19 **A** This shows a 0 balance.

04:21:10 20 **Q** Thank you?

04:21:12 21 MR. BEAN: Objection, Your Honor. This is the
04:21:13 22 subject of a motion in limine the government filed.

04:21:17 23 THE COURT: Objection's overruled.

04:21:20 24 MR. FEDOR: And if we could turn to
04:21:23 25 Exhibit 101.

04:21:26 1 BY MR. FEDOR:

04:21:26 2 Q Again, so the jury understands, what was the adjusted
04:21:28 3 gross income -- what was the income reported by
04:21:30 4 Mr. Karasarides on the 2010 tax return?

04:21:33 5 A 0.

04:21:35 6 Q No, the income that was reported.

04:21:36 7 A On 2010?

04:21:38 8 Q Correct.

04:21:40 9 A He didn't file a 2010 return.

04:21:43 10 Q No, after the SFR was done, what was the -- okay. Let
04:21:47 11 me take a couple steps back.

04:21:50 12 Exhibit 101, there's AGI stated. What is the AGI,
04:21:54 13 adjusted gross income, stated on the account transcript?

04:21:56 14 A Yeah, the transcript shows roughly 1.6 million.

04:21:59 15 Q That was my question. Thank you.

04:22:01 16 And what is the balance due per this transcript?

04:22:06 17 A This shows 0 balance due.

04:22:07 18 Q Thank you.

04:22:17 19 MR. FEDOR: If we could turn to the next page
04:22:19 20 of the account transcript.

21 BY MR. FEDOR:

04:22:22 22 Q If we scroll down towards the bottom of this exhibit,
04:22:28 23 it says received offer in compromise on July 15th, 2016;
04:22:33 24 correct?

04:22:33 25 A Okay. I'm going to find where you're looking at here.

04:22:36 1 Q It's the third last entry.

04:22:38 2 A Yes. Yes. I see that, yes.

04:22:39 3 Q And it also indicates denied offer in compromise what,
04:22:43 4 two, three weeks later; correct?

04:22:44 5 A Yes.

04:22:45 6 Q Okay. Do you have any experience in offer in
04:22:48 7 compromise?

04:22:48 8 A I would say very -- I would say very limited because
04:22:51 9 I'm -- yeah. No. I have not processed one, so I know of
04:22:55 10 them, but I don't have extended experience with them. But
04:22:58 11 I'm aware of them and have some knowledge of them because --
04:23:03 12 but we don't -- I have never offered one or received one.

04:23:05 13 Q And what's your limited knowledge of an OIC, can you
04:23:09 14 tell the jurors?

04:23:09 15 A Yeah. So similar to earlier was a taxpayer files a --
04:23:14 16 an official request on a form -- I'd have to look the form
04:23:16 17 number up -- but they file an IRS form, and they are
04:23:19 18 required to make a presentation of payment. And the IRS has
04:23:24 19 the opportunity to say, hey, we -- you know, they can agree
04:23:30 20 or not agree to accepting what the taxpayer offers.

04:23:33 21 Q Do you know what forms are utilized to submit an
04:23:35 22 offer?

04:23:36 23 A I -- no, I don't know the forms off the top of my
04:23:39 24 head. If they were on here, I might see the form number
04:23:43 25 but --

04:23:43 1 Q Do you have any idea what is required to submit an
04:23:46 2 offer in compromise?

04:23:46 3 A You have to fill the form out. And there's a
04:23:48 4 percentage of the tax amount, the tax debt, that's required
04:23:51 5 to be submitted with the compromise.

04:23:54 6 Q And what is the percentage of tax debt that's required
04:23:57 7 to be submitted? Because that's the first time I've ever
04:24:00 8 heard that.

04:24:01 9 A I don't know the percentage.

04:24:02 10 Q Okay. And do you know any of the terms of the offer
04:24:06 11 in compromise that were submitted by Mr. Karasarides?

04:24:07 12 A I do not.

04:24:08 13 Q Have you ever seen the offer in compromise submitted
04:24:11 14 by Mr. Karasarides?

04:24:11 15 A I have not seen Mr. Karasarides' offer in compromise,
04:24:14 16 no.

04:24:15 17 Q Do you know the difference between a rejection and a
04:24:18 18 return of an offer in compromise?

04:24:19 19 A I do not.

04:24:21 20 Q Okay. And that's a legal term.

04:24:24 21 And this was -- you know, the account transcript
04:24:28 22 itself shows it was pending two, three weeks; correct?

04:24:30 23 A Yes.

04:24:31 24 Q Do you think this offer in compromise was ever
04:24:34 25 considered by the IRS pending for a short period of time?

04:24:37 1 **A** Like, when I look at this, you're asking, hey, was
04:24:40 2 this accepted or not?

04:24:42 3 **Q** No. My question is, do you think the IRS ever looked
04:24:45 4 at it in the two or three-week period of time?

04:24:49 5 **A** Oh, looked at it.

04:24:50 6 I can't say, but that would be fast. I think that's
04:24:53 7 what you're saying. That would be fast.

04:24:55 8 **Q** That would surprise you, wouldn't it?

04:24:56 9 **A** Well, do they make -- so, do they make that with a
04:25:00 10 collections officer? If they make it with a collections
04:25:03 11 officer, if they have direct contact with a collections
12 officer, I don't know if they can give you correspondence.
04:25:07 13 So if somebody's under audit, they have close -- you know, a
04:25:09 14 person who they're working with directly, then you can get
04:25:12 15 faster response. So I don't know if this was --

04:25:14 16 **Q** You really don't have any idea?

04:25:16 17 **A** I don't know that. Yeah, and that was my original
04:25:19 18 answer, is I don't know if this was looked at or not. I
04:25:22 19 can't tell at all by looking at this.

04:25:23 20 **Q** Fair enough.

04:25:24 21 MR. FEDOR: Can we turn to Exhibit 103?

22 BY MR. FEDOR:

04:25:32 23 **Q** And this again is a 2011 Form 1040 filed by
04:25:36 24 Mr. Karasarides?

04:25:36 25 **A** Yes.

04:25:40 1 MR. FEDOR: And can we turn to the first
04:25:42 2 Schedule C?

04:25:51 3 Thank you, Carissa.

04:25:53 4 BY MR. FEDOR:

04:25:54 5 **Q** Once again, I'm not going to get into the weeds with
04:25:56 6 all the tax returns as Mr. Bean did, but I do want to point
04:25:59 7 out again that we have the same gross receipts being --
04:26:03 8 large gross receipts being reported on Schedule C as vending
04:26:06 9 income under casino and/or related SIC code, which I don't
04:26:13 10 believe was ever investigated. Correct?

04:26:15 11 **A** Well, you don't investigate them. But we looked that
04:26:18 12 up before, like in the pre-audit -- Mr. Bean asked about the
04:26:21 13 pre-audit. That's one of the pre-audit steps, is you look
04:26:22 14 up the NAICS code.

04:26:23 15 So, we would look those up and say, hey, do these
04:26:27 16 business statistics look similar to other businesses with
04:26:30 17 that NAICS code to do a, you know, ballpark analysis. So,
04:26:32 18 investigate, you know, but we would know this and look that
04:26:35 19 up. At the time of the audit I would have looked that up to
04:26:37 20 see what the NAICS -- you know, NAICS description.

04:26:40 21 **Q** And do you recall if there was ever a 1099 issued for
04:26:43 22 \$1.3 million that ties to this Schedule C?

04:26:46 23 **A** I -- I do not for 2011 since I did not do any audit
04:26:50 24 work with the 2011.

04:26:53 25 **Q** Have you seen this 2011 return prior to preparing for

04:26:56 1 today?

04:26:56 2 **A** Yes.

04:26:57 3 **Q** Okay. In what capacity?

04:26:59 4 **A** Review and preparation for testifying to this
04:27:04 5 evidence.

04:27:05 6 **Q** Okay. So you've not seen any 1099s that would tie to
04:27:10 7 that number on the Schedule C; correct?

04:27:12 8 **A** Correct.

04:27:13 9 **Q** And instead of going through each and every other
04:27:16 10 exhibit for 2012, '13, '14, '15, '16 tax years, I think were
04:27:24 11 all similarly prepared; is that correct?

04:27:26 12 **A** Yeah. Yeah. I mean, they -- there's some
04:27:30 13 similarities, yeah, some are not, but the --

04:27:32 14 **Q** Go ahead, finish.

04:27:33 15 **A** Do you want to ask if there's -- hey, there's a
04:27:36 16 difference in, hey, that some reported, you know,
04:27:39 17 self-employment business and some did not, so I would say
04:27:41 18 that's very different.

04:27:42 19 So if you say, hey, are they reported similarly, I
04:27:45 20 would say no because some report business income and some
04:27:49 21 report 0 business income with employment income. So I would
04:27:53 22 say those are quite different.

04:27:54 23 **Q** And I would agree with you. But in the years at issue
04:27:57 24 for '12, '13, and '14 at least, we have one professional
04:28:01 25 gambling schedule it looks like, and we have one vending

04:28:04 1 schedule it looks like; correct?

04:28:07 2 **A** Yes.

04:28:08 3 **Q** That's all I wanted to ask.

04:28:09 4 Are you aware when Mr. Karasarides went to prison?

04:28:13 5 **A** No.

04:28:15 6 **Q** Are you aware if Mr. Karasarides divested his gambling
04:28:21 7 store businesses in 2014?

04:28:23 8 **A** I -- he divested his -- so he shut his businesses down
04:28:27 9 in 2014? I did not know that.

04:28:29 10 **Q** Okay. Would that impact your decision-making in terms
04:28:32 11 of what you just reviewed with Mr. Bean and what's on
04:28:34 12 Schedule C in terms of the gross receipts?

04:28:38 13 **A** Would it change what -- my assessment of what Mr.
04:28:41 14 Bean -- that's -- I -- be more specific, please.

04:28:44 15 **Q** Well, why don't we go through a tax return.

04:28:48 16 MR. FEDOR: 111, please, Carissa.

04:28:50 17 Thank you.

04:28:53 18 BY MR. FEDOR:

04:28:53 19 **Q** This is a 2015 Form 1040; correct?

04:29:00 20 **A** Yes.

04:29:01 21 **Q** And it was prepared by Mr. DiPietro?

04:29:02 22 **A** Yes.

04:29:03 23 **Q** And it looks like it was e-filed on January 27th of
04:29:08 24 2016; correct?

04:29:08 25 **A** Yes.

04:29:09 1 Q So timely tax return; correct?

04:29:10 2 A Yes.

04:29:14 3 Q Are you aware that Mr. Karasarides was in prison
04:29:17 4 during this time period?

04:29:19 5 A I had only -- no, not of the period. I knew that he
04:29:24 6 was incarcerated, but I don't know the times or what the
04:29:26 7 reasons were.

04:29:28 8 Q But if he wasn't operating any gaming rooms at that
04:29:32 9 time, he certainly wouldn't have income related to that;
04:29:35 10 correct?

04:29:35 11 A Not commission income or gambling I wouldn't think,
04:29:40 12 correct. But I -- yeah, so -- but I don't know what kind of
04:29:45 13 commission, how his commission was earned. You know, if,
04:29:48 14 like, they're residuals or not because books and records --
04:29:51 15 the years that I audited, we had no books and records
04:29:54 16 summarizing how the commissions were calculated, you know,
04:29:56 17 those sorts of things. So I can't say if the income was
04:29:59 18 residual or not, but I don't know if he could or -- it's
04:30:04 19 possible, but I can't say he would never have income. But I
04:30:09 20 don't know that circumstance for him.

04:30:10 21 Q Well, let me go back and ask again.

04:30:12 22 For the 2015 tax year, and I know you didn't audit it,
04:30:16 23 you audited 2009, 2010 --

04:30:18 24 A Yeah.

04:30:18 25 Q -- but for 2015, did you see any third-party payor

04:30:22 1 information related to this return?

04:30:23 2 **A** Well, I didn't look at any payor information for 2015.

04:30:28 3 **Q** No third-party payor information. So no 1099s, K-1s,
04:30:33 4 W-2s, you didn't review any of that?

04:30:36 5 **A** No. I was not working -- at the time this was filed,
04:30:40 6 I was not working on this case at all.

04:30:45 7 **Q** So you don't know anything about this 2015 return?

04:30:49 8 **A** Well, I can look at a return and tell you what's on
04:30:51 9 the return and -- so I can tell you some things, yes.

04:30:55 10 **Q** Right. Just like Mr. DiPietro could look at the
04:30:58 11 return; correct?

04:30:59 12 **A** Oh, yeah, correct.

04:31:00 13 MR. FEDOR: Nothing further, Your Honor.

04:31:01 14 Thank you.

04:31:02 15 THE COURT: Thank you.

04:31:03 16 Mike, do you have questions?

04:31:07 17 MR. PARKER: Thank you, Your Honor.

04:31:09 18 THE COURT: How long do you think you're going
04:31:10 19 to be?

04:31:11 20 MR. PARKER: Maybe 20 minutes to half an hour.
04:31:15 21 Possibly 20 minutes, Your Honor.

04:31:17 22 THE COURT: What do you want to do? Do you
04:31:18 23 want to go home? Because we won't finish the witness today
04:31:22 24 because Mr. Kersey has to ask questions, if he does, and
04:31:25 25 then we have redirect by the government.

04:31:27 1 It's 4:30. That's usually the time we break.

04:31:31 2 It's up to you guys because you've been here since
04:31:34 3 7:30.

04:31:35 4 A JUROR: Let's roll.

04:31:37 5 THE COURT: Your first vote, home or finished?
04:31:39 6 This witness.

04:31:40 7 THE JURY: Home. Go home.

04:31:42 8 THE COURT: Home. Okay.

04:31:45 9 Got that message loud and clear. That was the only
04:31:48 10 time Morgan was quiet.

04:31:51 11 All right. Now, you've heard some testimony. You
04:31:55 12 know you haven't heard it all. You don't know what the
04:31:58 13 exhibits are. You haven't seen that. And certainly you
04:32:00 14 don't know what the law is that applies in the case. It's
04:32:02 15 very important you keep an open mind, you don't form or
04:32:06 16 express an opinion about anything about the case whatsoever.

04:32:08 17 Don't discuss the case with anyone nor permit anyone
04:32:11 18 to discuss it with you. And I'm repeating again, when you
04:32:14 19 go home, believe me, those at home are going to be real
04:32:16 20 interested in what you did today. Say, please, I can't talk
04:32:20 21 about it. I've been selected to sit as a juror. Don't tell
04:32:24 22 them whether it's a civil or criminal case. Say, when it's
04:32:26 23 over and we return a verdict, at that time I'll be free to
04:32:29 24 talk to my heart's content, and have them honor that.

04:32:32 25 No independent investigation. Right? Don't be

04:32:35 1 looking on your phone for anything. Everything that you
04:32:37 2 need in order to come up with a fair verdict will be
04:32:40 3 presented here in court.

04:32:41 4 So we'll see you at 8:15.

04:32:45 5 Where, Morgan?

04:32:47 6 A JUROR: L1.

04:32:48 7 THE COURT: L1. Okay.

04:32:49 8 And tomorrow, Steve's got some treats for you, so if
04:32:53 9 you guys get here a little early maybe you can eat them
04:32:57 10 before we -- am I right?

04:32:59 11 COURTROOM DEPUTY: Yeah.

04:32:59 12 THE COURT: Yeah. Okay. It's a long story
04:33:00 13 about treats because we don't have any place we can get
04:33:02 14 stuff around here, so it's a big deal on Wednesday morning
04:33:06 15 for you.

04:33:07 16 So have a good night, and we'll see you tomorrow
04:33:10 17 morning.

04:33:11 18 COURTROOM DEPUTY: All rise.

04:33:11 19 (Jury excused from courtroom at 4:33 p.m.)

04:33:49 20 THE COURT: You can step down.

04:34:01 21 (Witness excused.)

04:34:01 22 MR. GOLDBERG: So, both my client and his son
04:34:04 23 reside in the same neighborhood, not in the same home.
04:34:10 24 There's a no contact as a condition of bail.

04:34:12 25 Would the government object to them driving in and

04:34:17 1 driving home together?

04:34:18 2 THE COURT: No. That's fine.

04:34:19 3 MR. GOLDBERG: They're in trial. Okay?

04:34:21 4 THE COURT: As long as you're here on time.

04:34:27 5 DEFENDANT CHRISTOS KARASARIDES: What time
04:34:28 6 tomorrow?

04:34:29 7 THE COURT: 8:15.

04:34:32 8 DEFENDANT CHRISTOS KARASARIDES: Okay.

04:34:54 9 (Proceedings adjourned at 4:34 p.m.)

10 * * * * *

11
12 **C E R T I F I C A T E**

13 I certify that the foregoing is a correct transcript
14 of the record of proceedings in the above-entitled matter
15 prepared from my stenotype notes.

16 /s/ Heather K. Newman
HEATHER K. NEWMAN, RMR, CRR

1-16-2024
DATE